Colorado
Economic & Fiscal Outlook

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STATE OF COLORADO

Governor's Office of State Planning & Budgeting

COLORADO

Governor Jared Polis

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Forecast in Brief

The labor market continues to outperform expectations and consumer demand has remained strong, with 2022 GDP exceeding the December forecast. Inflation has also declined along with expectations and wage growth has continued to moderate. The combination of these factors has prompted small upward revisions to the near term economic outlook, but slowing consumer demand and tightening financial conditions are expected to slow economic growth in the second half of 2023 before returning to trend levels over the course of 2024 and 2025. Colorado is expected to fare slightly better than the nation as a whole over the course of the forecast period due to a marginally tighter labor market and a higher proportion of service spending.

Overall, General Fund revenue is revised up $128.1 million in FY 2022-23, $201.7 million in FY 2023-24, and $412.6 million in FY 2024-25. Individual income revenue is revised down in the near term, largely due to taxpayer refunds exceeding December's expectations. Next fiscal year, higher profits for small businesses are thought to drive individual income higher than December while FY 2024-25 revenue exceeds previous estimates on the basis of stronger wage growth. Corporate revenue, collected from C-corporations, is revised up across all years due to higher earnings, while sales revenue is largely unchanged Overall cash funds are expected to remain about flat in the near term, growing an expected 0.9 percent in FY 2022-23 and falling 0.4 percent in FY 2023-24. Compared with the December forecast, cash funds are revised up $78.1 and $49.4 million in FY 2022-23 and FY 2023-24, particularly due to those funds tied to economic fundamentals. Severance tax estimates are revised up $26.2 million in FY 2022-23 on the basis of above-expectation revenue collections along with revised expectations around forecast April collections.

As a result of general and cash fund growth in FY 2021-22, revenue exceeded the Referendum C cap (as restored by *SB21-260*) by $3,848.1 million. Additionally, revenue subject to TABOR is expected to remain above this cap through the duration of the forecast period and is revised up from December across the forecast period. Current projections show that revenue will be $2,657.7 million above the cap in FY 2022-23, $720.9 million above the cap in FY 2023-24, and $1,210.1 million above the cap in FY 2024-25.

Under this forecast, the General Fund ending balance is projected to be $468.1 million and $27.3 million above the statutory reserve level of 15 percent in FY 2022-23 and FY 2023-24 respectively. The statutory reserve remains at 15 percent of appropriations beyond FY 2023-24.

Economic Outlook

Since December, the labor market has outperformed expectations and consumer demand has remained strong, with 2022 GDP exceeding the prior forecast. Inflation has also declined and wage growth has continued to moderate. The combination of these factors has prompted small upward revisions to the near term economic outlook, but slowing consumer demand and tightening financial conditions are expected to slow economic growth in the second half of 2023 before recovering over the course of 2024 and 2025. Colorado is expected to fare slightly better than the nation as a whole over the course of the forecast period due to a marginally tighter labor market and a higher proportion of service spending.

Following higher than anticipated real GDP growth of 2.1 percent for 2022, growth is expected to grow 1.2 percent in 2023, buoyed by continued strength of service spending in the first half of the year despite the continued retraction in goods spending, with a weaker second half of the year driving a revision downward to 1.0 percent in 2024. In 2025, economic growth is expected to return to 2.2 percent, slightly outpacing potential growth.

Both the U.S. unemployment rate of 3.6 percent and the Colorado rate of 2.8 percent remain below expected levels and job growth continues. The gap between the number of job openings and unemployed workers also remains elevated, signifying tight labor market conditions. These broad trends are expected to slacken in the second half of this year alongside slowing GDP growth. Wages and income growth for Colorado and the U.S. have also come in as strong as anticipated with a tight labor market keeping wages and salaries elevated above historical trends but growth has begun to slow. Household balance sheets are currently strong, but the drawdown of excess savings has accelerated through the end of 2022. Consumer spending is expected to weaken in late 2023 as wage growth slows alongside further drawdown of excess savings and possible constraints on credit limits.

Despite continued pressure from shelter inflation, food prices, and volatility in the energy sector, steady disinflationary trends have come alongside monetary policy tightening in the U.S. and Colorado since inflation peaked in the spring and early summer at 9.1 percent, with U.S. and Colorado CPI each at 6.4 percent year over year growth in January.

Overall, short-term economic prospects have improved slightly since the previous forecast largely as a result of a stronger labor market and resilient consumer spending. A deep or protracted recession is still not currently expected. The strength of the labor market is expected to buoy the economy through the anticipated slowdown in the latter half of 2023.

Gross Domestic Product

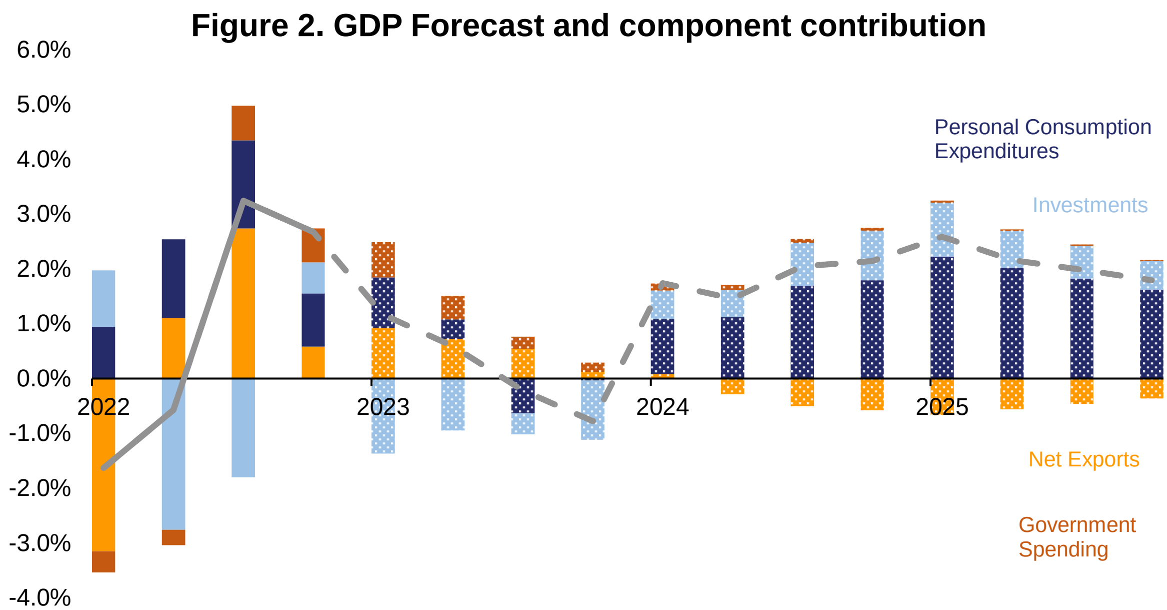
Nationally, real economic growth increased by 2.7 percent in the fourth quarter of 2022, resulting in 2.1 percent growth for the year. After a decline in GDP in the first half of the year that was driven by a significant trade deficit and fluctuations to inventories, growth picked up in the second half. As a result, the current US GDP estimate for 2022 is 0.2 percent above the 1.9 percent forecast in the last report. While the third quarter and the start of the fourth was driven by higher personal consumption, sales (particularly of goods) slowed in the final months of 2022. The largest driver of fourth quarter GDP growth was again the volatile inventory component, which accounted for about half of the fourth quarter GDP increase. Meanwhile, consumption slowed to 1.4 percent annualized, indicating a below potential pace of underlying economic demand.

During the first half of 2023, continued strength in services spending is expected to buoy economic growth more than previously expected. Therefore, annual 2023 GDP growth is expected to rise 1.2 percent, 0.4 percent above the previous forecast. However, expected 2024 growth is revised down from 1.3 to 1.0 percent due to more pronounced growth in 2022 and the first half of 2023, followed by a decline in the second half of 2023 that starts 2024 real GDP levels at a relative disadvantage. In 2025, economic growth is expected to slightly outpace potential growth at 2.2 percent.

Figure 1. Changes in GDP Forecast from Prior Forecast

	Current Forecast	Previous Forecast	Change
2022	2.1%	1.9%	0.2%
2023	1.2%	0.8%	0.4%
2024	1.0%	1.3%	-0.3%

Figure 2 below depicts quarter-over-quarter annualized growth in real GDP, where the line represents GDP growth and the bars depict the four respective drivers of GDP growth/contraction: 1) personal consumption expenditures (PCE), 2) inventories and investments, 3) net exports, and 4) government spending.



Source: U.S. Bureau of Economic Analysis; OSPB March Forecast

Personal Consumption Expenditures

PCE, the largest component of GDP, were in line with expectations in the fourth quarter, but buoyed by strong consumer demand in October despite weaker numbers in November and December. Additionally, there has been a clear shift towards services spending, as demand for goods falls. Continued consumer demand in the face of high inflation and tight monetary policy can be attributed to persistent upward pressure on wages generated by a tight labor market, a lower savings rate than expected, and a willingness to borrow as higher prices have led to further dependence on credit cards. As for the components of PCE, both durable and nondurable goods expenditures are forecast to slow to their pre-pandemic shares of total consumption in the first half of 2023 before undershooting in the second half of the year and returning to trend by 2024. Meanwhile, services spending is expected to overshoot by the first half of 2023 before slowing in the second half of the year due to increasing constraints on wages, excess savings, and credit availability. Like goods spending, consumption of services is expected maintain its historical share of overall consumption by mid-2024.

Investments (Including Inventories)

Investments are expected to continue to be a drag on GDP through 2023. During the second half of 2022, the decline in investments was largely driven by a slowdown in the residential real estate sector. While continued monetary policy tightening is expected to continue to drag on the real estate sector and its impact on investments, a decline in manufacturing and other non-residential investments is also expected to negatively impact GDP. As seen above, this investments drag shrinks in the second and third quarter of 2023 as financial conditions remain tight but the Federal Reserve stops raising rates. However, the sector's negative impact on GDP increases in the fourth quarter due to a shrinking inventory. As businesses begin to see reports of declining consumption from the third quarter, they are expected to negatively adjust inventories in the fourth quarter, thereby leading to a trough in the GDP levels forecast at the end of this year. By 2024, investments are expected to again positively contribute to GDP growth as the Federal Reserve begins to lower its interbank lending rates as inflation normalizes.

Net Exports

Net exports are projected to increase in 2023 as exports are expected to grow while imports are expected to shrink. The upward revision in exports is a result of increased international demand from reopening in China and better than previously expected economic conditions in Western Europe. Additionally, slowing imports are a result of slowing domestic demand, particularly for goods, which make up the overwhelming majority of all imported items. By 2024, net exports are again a drag on GDP growth as domestic demand fully returns.

Government Spending

Finally, government spending is expected to have a small positive impact on GDP as the Investment Infrastructure and Jobs Act (IIJA) and the Inflation Reduction Act (IRA) slightly offset the rolloff of American Rescue Plan Act (ARPA) funding. IIJA will drive economic activity through a range of infrastructure investments from rail to high speed internet. Additionally, the IRA is likely to increase government spending as the resulting revenues are likely larger than spending increases. However, IRA’s increased taxation on business activity may slightly dampen economic growth.

Recession Risk

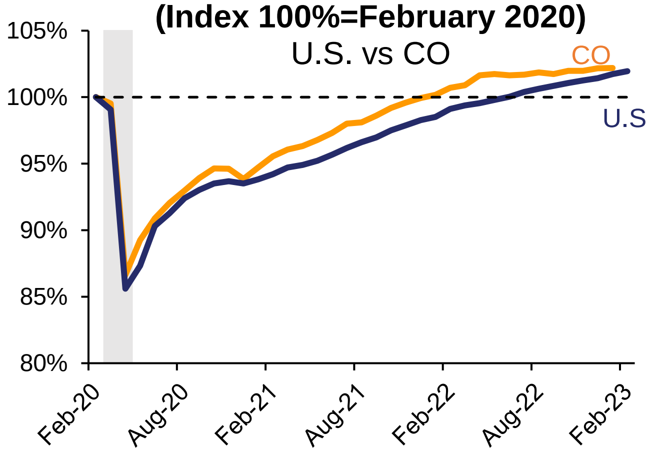
The chance of a recession in the next year is estimated to be 40 percent. Across economists and consumers alike, confidence in the economic future has slightly improved as the labor market continues to exceed expectations. Continued jobs growth and advantageous ratios of jobs to unemployed persons (approximately 2 job openings per unemployed person) are expected to keep average hourly earnings at or above their historical norms. Therefore, even as this baseline forecast includes two quarters of GDP decline (often described as a “technical” recession), OSPB does not expect the National Bureau of Economic Research (NBER) to call a recession due to the tight labor market. However, the chances of recession remain elevated because the labor market is not a leading indicator of future economic activity. For instance, Colorado’s unemployment rate peaked nearly a year and a half after the 2001 and 2008 recessions had ended. OSPB sees mixed results from the leading indicators it considers, though leaning slightly more positive than negative. The Institute for Supply Management (ISM) services survey, the New York Federal Reserve Business leaders survey, the National Federation of Independent Businesses’ (NFIB) Small Business survey, and the Conference Board’s Consumer Confidence survey show a recent rebound in business and consumer confidence above traditional recessionary levels. On the other hand, leading indicators pointing towards a recession include the ISM manufacturing survey, declining building permits, and the inverted yield curve.

Labor Market

Both the U.S. and Colorado labor markets remain tighter than anticipated through the end of 2022 and early 2023. After ending the year at 3.5 percent, the U.S. unemployment rate dropped to 3.4 percent in January, the lowest reading since 1969, before increasing slightly to 3.6 percent in February. Nonfarm payroll growth also remains above expected levels with January nonfarm payroll growth of 504,000 and February growth of 311,000 for eleven straight months of growth above expectations. Average payroll growth of 357,000 over those eleven months remains elevated significantly above pre-pandemic trend levels of 184,000 (Jan 2019 – Feb 2020). In Colorado, job growth has also generally come in strong, but has slowed recently as revisions to unemployment rate data show that the state unemployment rate has stayed below 3.0 percent for nine consecutive months, currently at 2.8 percent. Job growth generally continues to be broad-based though an industry-level divergence exists, with growth concentrated in high demand consumer sectors such as leisure and hospitality and losses beginning to occur in information services caused by a pullback in hiring by tech firms as profits in the industry weaken. Going forward, these broad trends are expected to continue through 2023, before labor markets slacken in the second half of the year alongside slowing GDP growth. As a result of these stronger than anticipated trends, the expectation for the average unemployment rates by year are as follows:

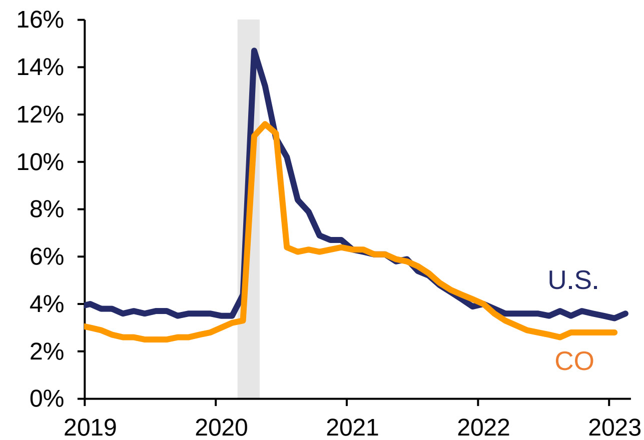
- For 2023: 3.2 percent in Colorado, 3.9 percent in the US
- For 2024: 3.7 percent in Colorado, 4.3 percent in the US
- For 2025: 3.1 percent in Colorado, 4.0 percent in the US

Figure 3. Nonfarm Payroll Employment (Index 100%=February 2020)
U.S. vs CO



Note: Shaded areas denote recession.
Source: Bureau of Labor Statistics, retrieved from FRED

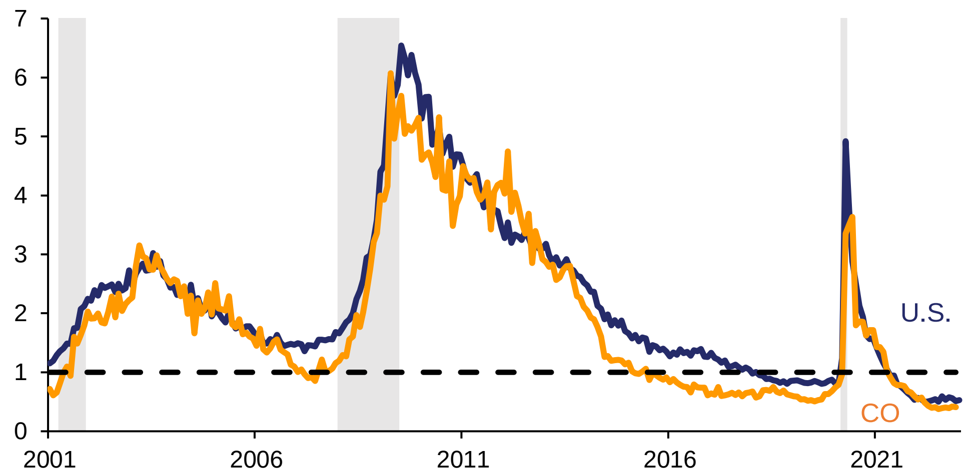
Figure 4. Unemployment Rate
U.S. vs CO



Note: Shaded areas denote recession.
Source: Bureau of Labor Statistics

Aside from low unemployment rates and strong jobs growth, a large jobs to workers gap also remains, with job openings that significantly exceed the number of people unemployed in both Colorado and the U.S. In fact, December US job openings came in at over 11 million, up from 10.7 million in November and their highest level since July, despite expectations for a reduction in openings, followed by only a slight reduction to 10.8 million in January. The Colorado labor market continues to be even tighter than the U.S. as a whole with only 0.4 workers available per job opening as compared to 0.5 in the U.S.

Figure 5. Number Unemployed per Job Opening
U.S. vs CO



Note: Shaded areas denote recession.
Source: Bureau of Labor Statistics

Based on other leading indicators of openings including the NFIB small business survey and Indeed job postings, these trends are expected to continue through January. For example, 19 percent of small business owners plan to add positions in January, up 2 percentage points from December, and 57 percent of small business owners were hiring or planning to hire, also up 2 points from December.[1] Despite anticipated headwinds in the second half of the year, this January strength is notable given the weight of January hiring decisions on employment for the year. Despite these trends, there are two anticipated mechanisms through which the jobs to workers gap is expected to decline over the course of 2023.

- Increasing labor force participation: while demographic trends have naturally depressed the labor force participation rate since prior to the pandemic, it is expected that labor force participation (at 62.5 percent in February in the U.S.) will temporarily overcome some of this pressure and rise slightly as long as job growth remains above trend levels for the next few months, consistent with previous periods of above trend job growth in the U.S. Demographic trends are still anticipated to put downward pressure on

[1] January 2023 National Federation of Independent Businesses Survey, available at https://www.nfib.com/surveys/small-business-economic-trends/.

participation in 2024 and onward, but this avenue for reducing the gap in the near term seems likely as there remain additional untapped labor resources, in particular those that are marginally attached to the labor force or involuntary part time (i.e. U-6 unemployed), which sits at 6.8 percent in the U.S. in February, 3.2 percentage points higher than the U-3 rate. In fact, this trend has already begun to kick off as the tight labor market has likely drawn marginally attached workers into full-time work. In Colorado, for instance, the U-6 rate declined by 3.2 percentage points from 2021 to 2022. Note that while the U.S. rate also declined considerably, it only declined by 2.5 percentage points over the same period, indicative of the fact that the tighter Colorado labor market likely drew more individuals into full time work and consistent with a stronger labor force participation rate in Colorado. Both the U.S. and Colorado rates are anticipated to largely continue their decline over the course of the year.

- <u>Reduced demand for workers from firms:</u> consumer demand and corporate profits have remained elevated, buoying firm hiring decisions through the first month of 2023, despite slowdowns at the margins in industries like information services driven by over-saturation in the tech firms. However, as broader growth headwinds intensify, demand for workers will slow more broadly, thus reducing the jobs workers gap from the demand side.

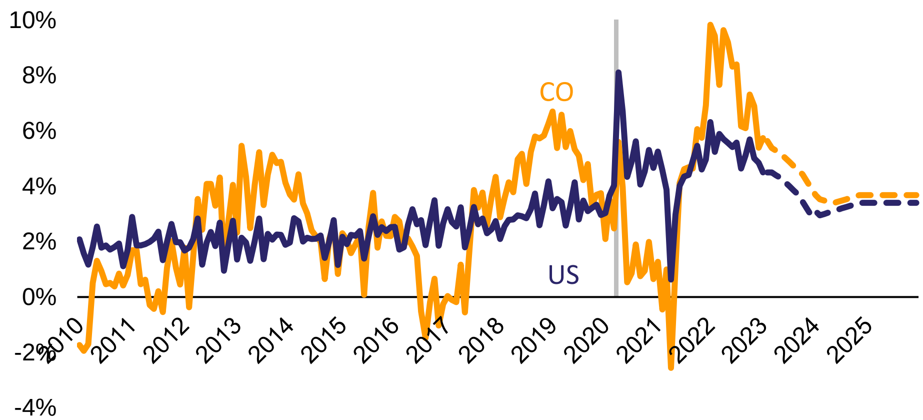
Outlook

Given the current strength of the labor market discussed above and the considerable gap between jobs available and unemployed workers, it is anticipated that the labor market slowdown will be both milder and slower to occur than the retraction in consumer spending and GDP. Namely, while this forecast anticipates two quarters of slight negative GDP growth in the second half of 2023, it is anticipated that job growth will be only slightly negative during mid-2024, with the combined factors of increased labor force participation and slowing demand for workers largely reducing the current gap between labor supply and demand, thus slowing wage growth, rather than translating into mass layoffs and a spike in the unemployment rate. Accordingly, U.S. unemployment is expected to peak at 4.5 percent in mid-2024 and Colorado unemployment is expected to peak even lower at 4.0 percent, significantly below normal recessionary levels despite two quarters of declines in GDP.

Wages and Income

In the January Bureau of Economic Analysis (BEA) report, real aggregate personal income growth increased by 0.6 percent month over month or 6.4 percent year over year, a slight uptick possibly due to wage growth from salary renegotiation in January and strong job gains. OSPB expects that these patterns alongside cost of living adjustments to government transfer programs (such as social security benefits) should provide further strength in income growth in 2023. However, average hourly earnings have softened in recent reports despite continued jobs gains, though still above historical growth trends. In 2023, wage growth is expected to exceed income growth due to declining asset wealth. Household balance sheets remain strong in the aggregate, but OSPB estimates that the drawdown of excess savings has accelerated through the end of 2022, especially for lower income families, with an estimated 51 percent of that $2.2 trillion peak savings remaining and largely held by the wealthiest two quartiles. With the ability to rely on excess savings dissipating, growth in consumer credit remains elevated and is likely to constrain borrowing for a significant share of households, who may be forced to cut back on spending. More detailed trends (both historical and forecast) for wage and income variables are described below.

Figure 6. Growth in Average Hourly Earnings



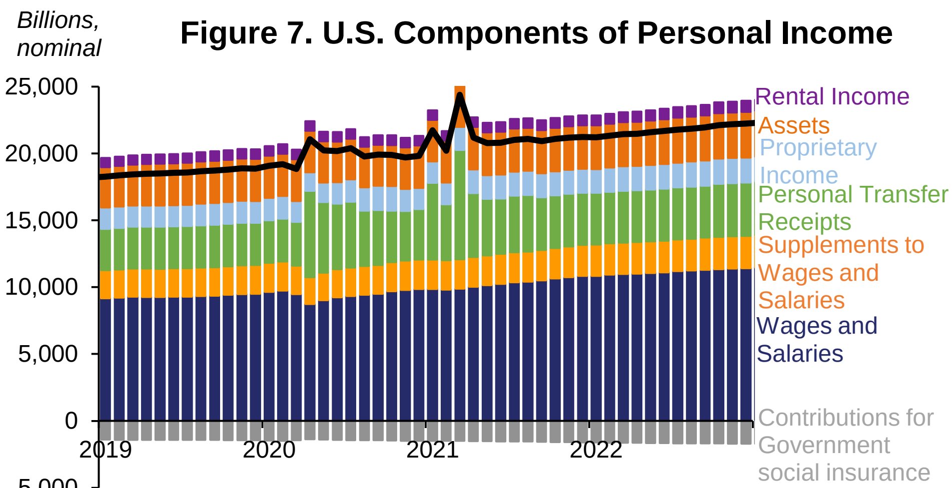
Note:Shaded region indicates recession
Source: Bureau of Labor Statistics, OSPB March Forecast

Average hourly earnings (AHE) continue to grow above historical levels, and even slightly outpace inflation locally. In 2022, AHE for all private sector employees increased by 5.4 percent nationwide and 7.8 percent in Colorado. While U.S. real average hourly earnings were negative, they were about flat in Colorado. In January, U.S. AHE slowed to 4.4 percent, which is above historical norms but below consensus expectations. OSPB believes this slowing signifies that labor market rebalancing and the normalization of input cost pressures are further along than previously believed. This shift would imply that wage and inflation growth can be brought under control by the Fed without a large disruption to employment. The Employment Cost Index for the fourth quarter of 2022 rose 1.0 percent, also below consensus expectations. The detailed report is consistent with softer AHE in the employment report as growth in wages and benefits is slowing. Compensation growth by this measure was strongest in credit intermediation, information services, and education and health services, while retail and real estate services grew slower.

Aggregate wage growth in 2022 set recent records of 9.1 and 10.2 percent in the U.S. and Colorado respectively, on top of further rapid 8.8 and 9.4 percent growth in 2021. Aggregate wages and salaries are still expected to outpace average hourly earnings in 2023 as jobs growth continues, particularly in the first half of the year. However, early signs of softening are expected to continue resulting in Colorado annual growth of 5.8 percent in 2023, outpacing its historical norm, while the nation grows near its recent trend of 4.4 percent.

Personal income, however, grew slower in the U.S. and Colorado in 2022 than in the previous year, at 2.4 and 5.9 percent respectively, due to a roll off of government transfers from the American Rescue Plan Act (ARPA). In 2023, personal income is again expected to grow slightly below wages and salaries due to falling asset income more than offsetting cost of living adjustments to government transfers such as Social Security benefits. The expected fall in asset income is based on OSPB's expectations of slightly negative earnings per share on equities, but with a greater emphasis on declining price-to-equity ratios. In 2024, personal income is expected to slightly outpace wages as increasing asset and proprietary income more than offset slowing expected rental income.

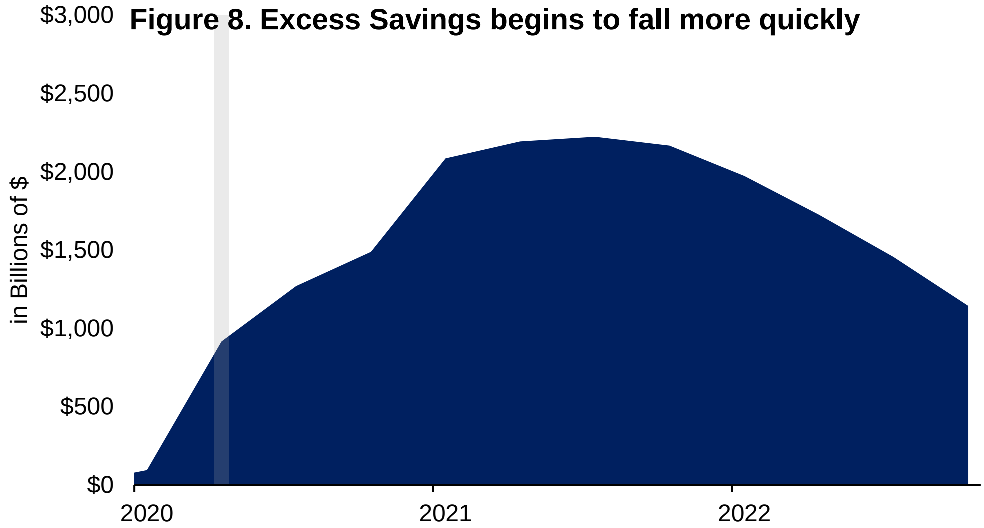
Figure 7. U.S. Components of Personal Income



Source: Bureau of Economic Analysis

Despite slowing nominal income and wages, real average hourly earnings are expected to be slightly positive for the U.S. and positive for Colorado in 2023. Increased hourly earnings will provide some additional purchasing power, but the current status of spending appears unsustainable based on households' current savings rates and the rapid spend-down of excess savings. In 2022, the savings rate was 3.7 percent, the fourth lowest year on record behind only the three years leading up to the Great Recession. High inflation and continued demand have meant that consumers have been increasingly willing to spend nearly their entire paycheck every month. That is in part due to the backstop of excess savings accrued from government transfers, which OSPB estimates totaled $2.2 trillion at its peak. However, the spend-down rate of those excess savings is increasing as the country enters 2023 with only an estimated $1.1 trillion remaining, and little to no savings remaining for most in the bottom 50 percent of income earners. By the beginning of 2024, about one fifth of peak savings are expected to remain, mostly held by the wealthiest quartile.

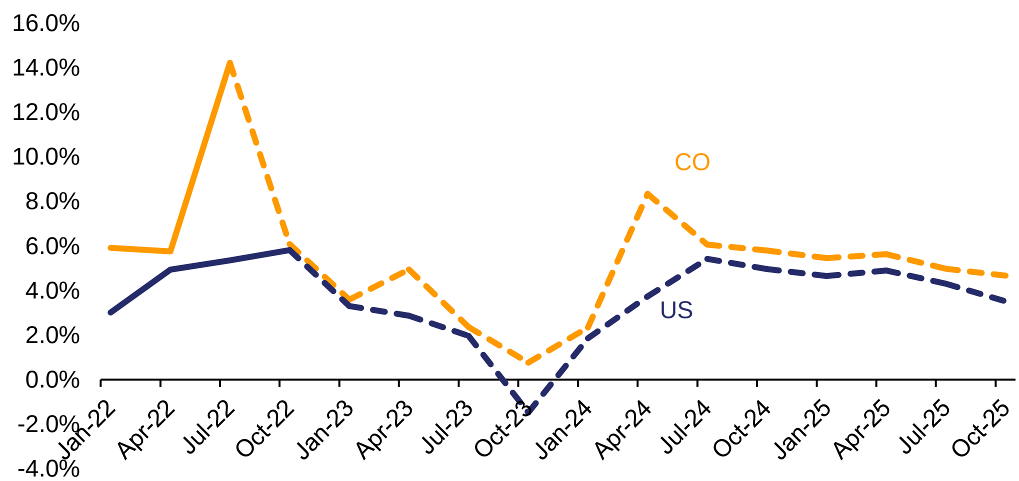
Figure 8. Excess Savings begins to fall more quickly



Note: Shaded areas denote recession
Source: Bureau of Economic Analysis; Author's calculations

Note, however, that while previous government transfers will not support the majority of U.S. households by the fall, Colorado taxpayers are expected to receive sizable TABOR refunds for the full forecast period. To appreciate the scale of the difference from recent history, during the Colorado Cashback program, where single filers received $750, personal income grew 14.1 percent in the third quarter of 2022 whereas the nation only grew 5.4 percent. This additional local transfer is expected to strengthen local finances and spending beyond the nation as a whole. As shown in Figure 9, the recent Colorado Cashback program and future refunds are expected to increase state growth in personal income by more than nationwide as the majority of TABOR refunds are sent out. In 2022, TABOR refunds are expected to account for 0.7 percent of all personal income. Given that the Colorado Cashback program already sent out a majority of

Figure 9. Colorado Personal Income Growth buoyed by TABOR refunds



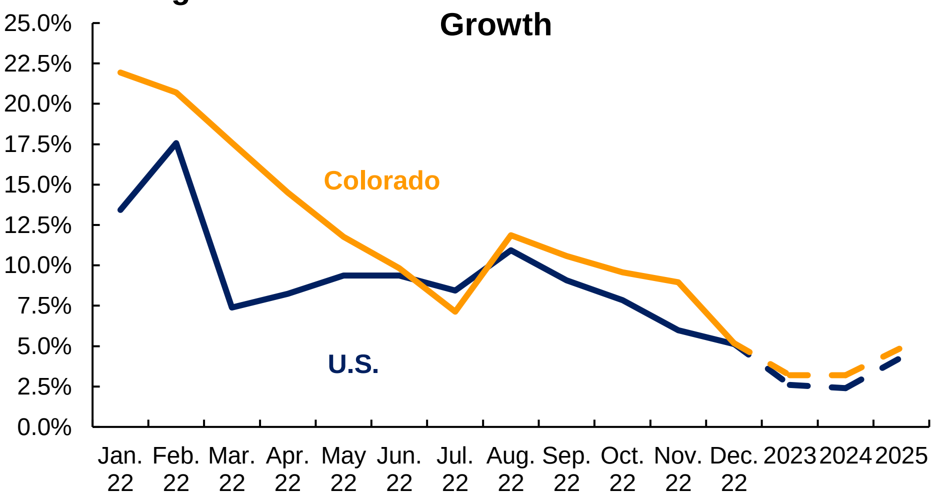
Source: Bureau of Economic Analysis, OSPB calculations the sales tax refunds, the 2023 share resulting from TABOR refunds is expected to fall to 0.2 percent before rebounding to 0.5 percent in 2024.

For the nation as a whole, spending down excess savings and minimizing the portion of monthly earnings saved is insufficient to satisfy consumer demand. Therefore, revolving credit is on the rise and already exceeds its pre-pandemic norm. Part of the pace of growth is due to consumers paying down credit during the pandemic in addition to banks recently raising credit limits as personal income rises. While delinquency rates are still below pre-pandemic norms, OSPB expects credit card debt as a share of disposable personal income to exceed pre-pandemic trends by September, which would likely create a binding constraint on borrowing and limit spending for those households. Additionally, the recent Senior Loan Officer Opinion Survey has indicated that lending standards have begun to tighten. With considerations around weakening household finances over the course of 2023, real consumer spending growth is at risk in the near future as discussed in the following section.

Consumer Spending

Consumer spending remains resilient in both the U.S. and Colorado economies as inflation eases downward from recent peaks and consumer sentiment turns more optimistic despite rising interest rates, dwindling savings, and increased consumer debt. During the final quarter of 2022, real personal consumption expenditures (PCE) grew at an annualized rate of 1.4 percent. Though real annualized goods spending contracted by 0.5 percent, this contraction was outweighed by continued strong services spending of 2.4 percent, which is expected to buoy consumer spending over the first half of 2023. Nationally, real PCE and retail sales also showed greater than expected strength in January. In Colorado, consumption is outpacing the nation, with strong spending in the services sector lifting overall spending. Retail sales growth in the state for 2022 was well above the elevated inflation rate, reflecting strong real spending growth. Moving into 2023, real spending at both the state and national

Figure 10. 2022 U.S. and Colorado Retail Sales Growth

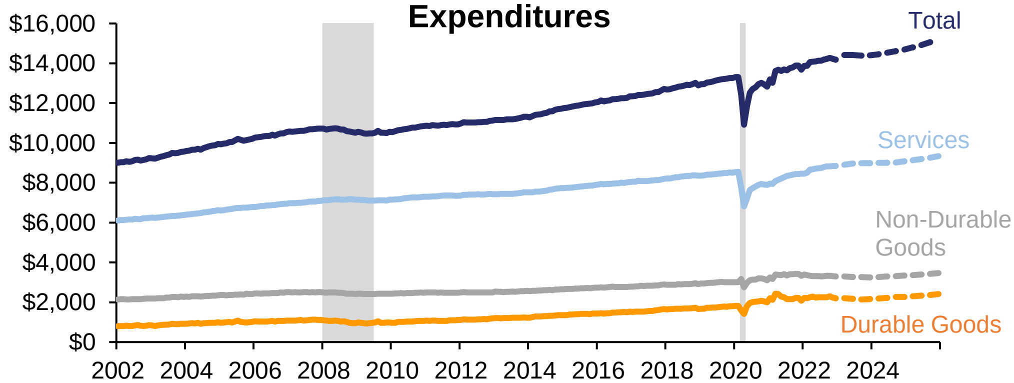


Note: Chart depicts non-seasonally adjusted year-over-year growth on a monthly basis. Dotted line indicates forecast on an annual basis.
Source: U.S. Census Bureau, Colorado Department of Revenue, OSPB March 2023

level is expected to moderate toward the middle of the year before retracting in the second half. Over the course of 2024, real spending growth is expected to recover and turn positive, though national growth is forecast to be more tepid compared to Colorado over both years. Figure 10 depicts state retail sales growth in comparison to the U.S. over 2022. While growth slowed over the year, Colorado continued to outpace the U.S. by an average of 1.0 percent over the second half of the year. A similar trend is expected in 2023 and throughout the forecast period.

After well above-average growth of 8.3 percent in 2021 as the economy recovered from the economic effects of the pandemic, real U.S. PCE returned closer to historical trend growth in 2022 at 2.8 percent. The consumer remained resilient in 2022 in the face of 40-year high inflation and rising interest rates, as sustained services spending growth buoyed overall growth, particularly as real goods spending retracted through all four quarters of the year. In 2022, real goods spending retracted by 0.5 percent, while real services spending increased by 4.5 percent – the highest growth for services in the past 20 years outside of 2021 which had 6.3 percent real services spending growth. Following dampened services spending during the heights of the pandemic, the rebound and continued robustness in services spending comes as consumers have fully engaged again with the sector throughout 2021 and 2022.

Figure 11. U.S. Real Personal Consumption Expenditures

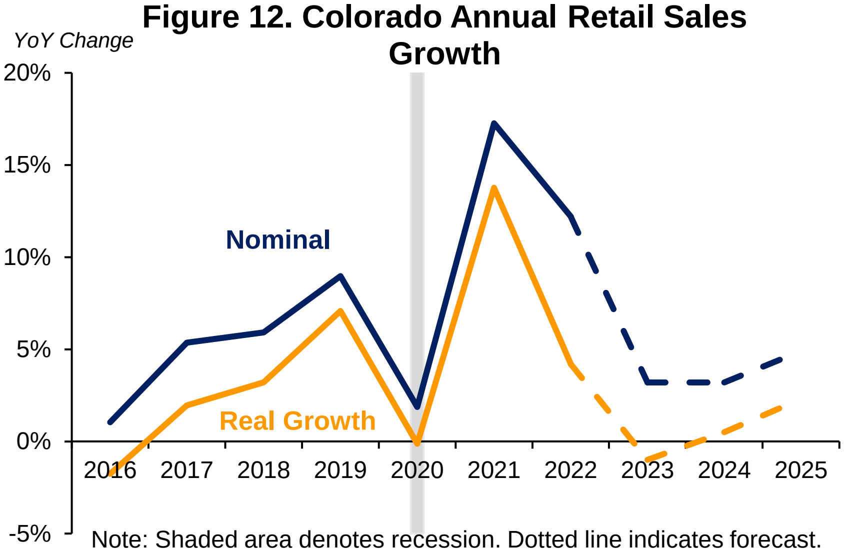


Note: Shaded areas denote recession. Dotted line indicates forecast.
Source: Bureau of Economic Analysis, OSPB March 2023 Forecast

This behavior is expected to continue through the first half of 2023. While real goods spending is forecast to continue to retract, overall PCE growth is expected to remain positive, driven primarily by services spending with an additional growth provided by beginning of the year cost-of-living adjustments, including with Social Security benefit increases. Although consumer spending has continued to outpace expectations, it is expected that real PCE growth will turn negative in the second half of 2023 as a result of dwindling savings, excess consumer debt, a loosening labor market, and the mounting effects of tight monetary policy. However, real spending is expected to turn positive once again during 2024 but is expected to remain relatively weak over the first half of the year before returning to trend in the second half of 2024 into 2025.

Retail sales also continues its strength as nominal national retail sales registered 9.1 percent growth in 2022 and maintained strong year-over-year growth in January 2023 of 6.4 percent, driven by significant growth in bars and restaurants of 25.2 percent. The January retail data further indicates consumer spending maintaining strength from the services sector while goods spending drags on growth. Retail growth is expected to slow considerably in 2023 to 2.6 percent as spending and the overall economy slows and maintain tepid growth in 2024 at 2.4 percent. For 2023, this is a slight upward revision from the December forecast as spending in the beginning of the year is estimated at stronger levels than previously expected. The upward revision for 2023 is coupled with a downward revision in 2024 as the continued spending strength early in 2023 is expected to lead to weaker spending in early 2024 as the spending slowdown is assumed to be slightly later than forecast in December. With inflation expected at 4.0 percent in 2023, real retail sales growth is forecast to be negative for the year and flat in 2024.

Figure 12. Colorado Annual Retail Sales Growth

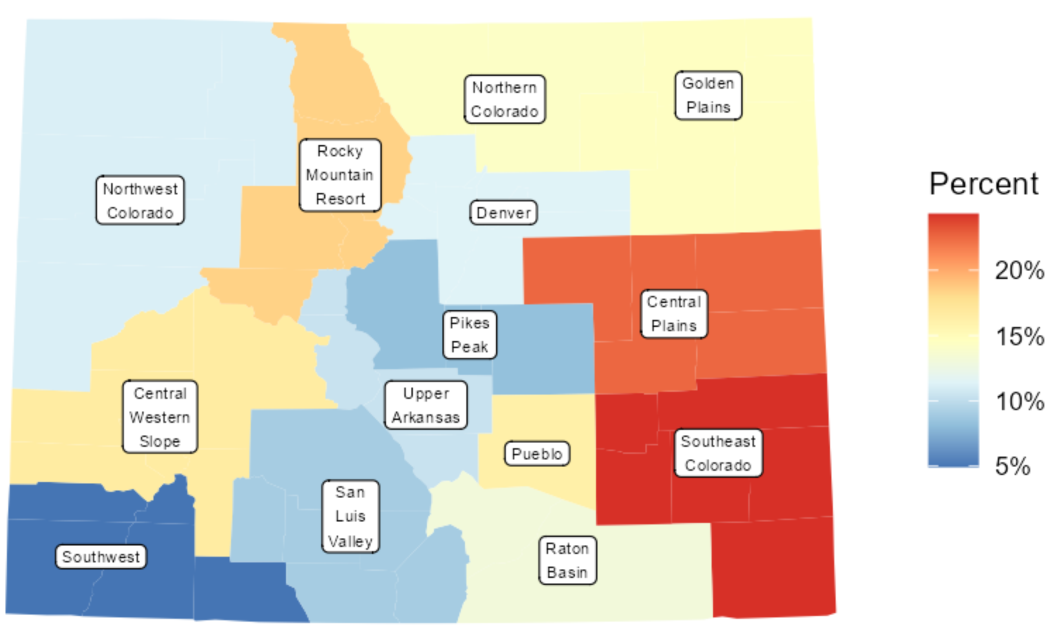


Note: Shaded area denotes recession. Dotted line indicates forecast.
Source: Colorado Department of Revenue; Bureau of Labor Statistics; OSPB March 2023 Forecast

In Colorado, nominal retail sales growth considerably outpaced the nation at 11.8 percent year-over-year growth in 2022. This figure is particularly strong when compared with the state's inflation rate of 8.0 percent during the year. In line with national trends, the restaurant and bar sector displayed strong year-over-year annual growth of 14.7 percent, while other service sector industries such as accommodations recorded 26.2 percent growth and growth in the arts, entertainment, and recreation sector grew 23.0 percent for the year. Colorado recorded $299.9 billion in retail sales in 2022, compared with $268.3 billion in 2021. The fundamentals of Colorado's consumer economy alone, which relies more significantly on services than the broader U.S. economy, places it in a solid position to outpace the nation. Additionally, historic TABOR refunds in 2022 and further refunds in 2023 will provide further statewide spending strength. Statewide retail sales growth is still expected to moderate from current levels in 2023, however. Like the U.S., real growth is expected to turn negative in 2023, though nominal growth is expected to remain positive at 3.2 percent and outpace the nation. Retail growth is forecast to maintain the same level at 3.2 percent in 2024, but this will reflect real growth as inflation is forecast to be lower. Figure 12 illustrates historical nominal and real retail sales growth in the state along with the forecast.

While statewide retail growth showed significant strength throughout 2022, there was considerable variation on a regional basis throughout the state. Figure 13 shows retail growth by region in the state for 2022 broken out by the Office of Economic Development and International Trade's 14 economic regions. While the Denver region – which makes up roughly 60 percent of statewide retail sales – was right around the statewide growth number of 11.8 percent, the Southeast Colorado region, which includes the counties of Baca, Bent, Crowley, Kiowa, Otero, and Prowers recorded the strongest growth at 24.3 percent. While the region makes up less than one percent of total retail sales statewide, it registered growth below statewide levels in 2021 before strongly rebounding in 2022. Some of the main industries in the area include food and agriculture, transportation and logistics, and advanced manufacturing. Conversely, the Southwest Colorado region recorded the weakest retail growth in the state at 4.9 percent. Consisting of the counties of Archuleta, Dolores, La Plata, Montezuma, and San Juan, the region makes up about 1.5 percent of the total share of statewide retail sales. It recorded growth well above statewide levels at 10.3 percent and 20.1 percent in 2020 and 2021, respectively, before falling below statewide growth in 2022. Outdoor recreation is the region's strongest industry, which likely led to the strong growth in 2020 and 2021 as consumers responded to pandemic measures and spent more time outdoors. Overall, combined over 2021 and 2022, all regions across Colorado saw above-average historical growth as each region recorded double-digit retail growth in 2021 and 10 of the 14 did in 2022.

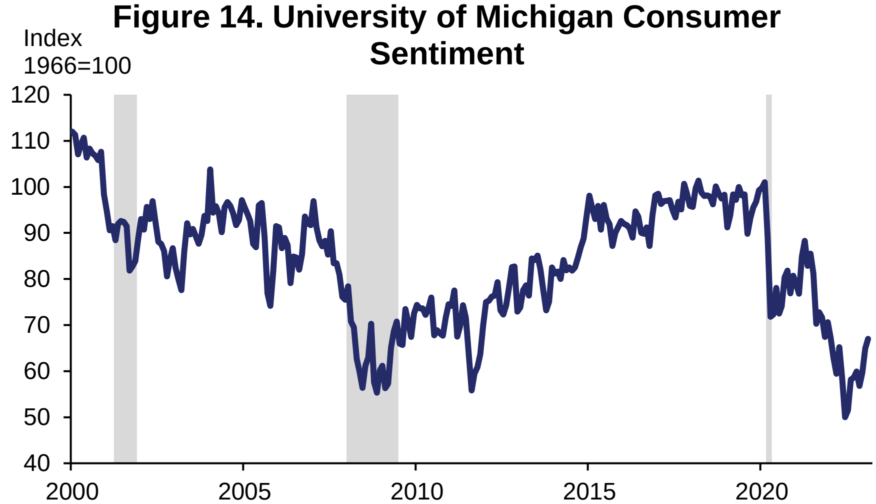
Figure 13. Retail Sales Growth
By OEDIT Region, 2022



Source: Colorado Department of Revenue

Although spending is forecast to slow throughout 2023, consumer sentiment is seeing a rebound early on in the year from the trough experienced during peak inflation in 2022. Sentiment has jumped for three consecutive months and reached a level not recorded since January 2022. A more optimistic consumer is another data point that contributes to the forecast assumption of stronger than previously expected spending in the first quarter of 2023. Figure 14 depicts historic consumer sentiment data.

Figure 14. University of Michigan Consumer Sentiment



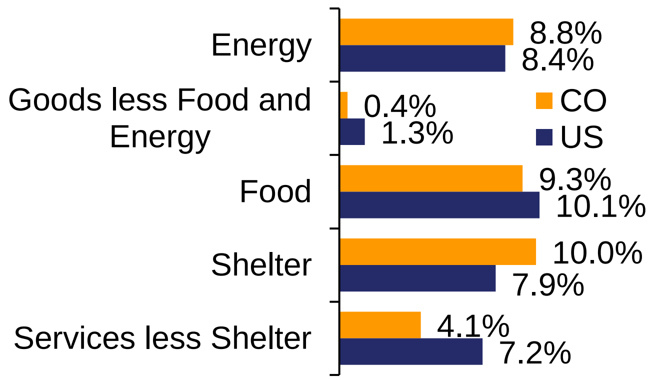
Note: Shaded areas denote recession.
Source: University of Michigan

Despite the resiliency of consumer spending throughout 2022, which has remained strong in the face of economic headwinds, the forecast is weighted to the downside as a result of tightening monetary policy filtering through the economy, dwindling individual savings, and increased consumer debt. Services spending is forecast to continue to buoy overall spending growth through the first half of 2023 before real growth turns negative as overall spending slows in the second half of 2023 at both the state and national level.

Inflation

Steady disinflationary trends (or a slowing rate of inflation) have generally taken hold in the U.S. and Colorado since inflation peaked in the spring and early summer at 9.1 percent, with U.S. and Colorado CPI each at 6.4 percent year over year growth in January, and the U.S. falling to 6.0 percent in February. On net, December through February inflation have come in along the lines of consensus expectations the overall trends are generally aligned with those expected in the December forecast. These big picture trends are as follows: (1) Colorado and U.S. inflation are generally moving in tandem, but with small divergences by category; (2) goods (supply chain) driven inflation has largely receded in recent months; (3) while still elevated, energy inflation has come down considerably despite a temporary relative uptick in Colorado on the heels of the Suncor plant issues; (4) with varying degrees of importance across the U.S. and Colorado, food, shelter, and services continue to keep headline CPI elevated but are generally moving downward in recent months.

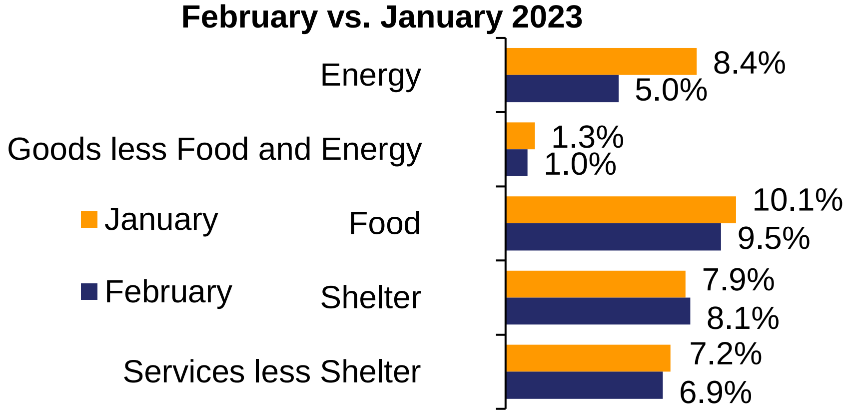
Figure 15. YoY Inflation by Major Component January 2023



Source: Bureau of Labor Statistics; Author's Calculations.

With these trends continuing to move along the lines anticipated in December, OSPB has not revised inflation expectations considerably since last forecast for the U.S. or Colorado. Rather, specific components have been adjusted slightly but in opposite directions. Stickier than anticipated food prices and a temporary Colorado bump in energy prices are offset by moderating shelter inflation and a stronger than anticipated retraction in goods prices. On net, Colorado CPI from December is up 0.1 percentage points to 4.3 percent in 2023, and constant at 2.7 percent in 2024. U.S. inflation is down 0.1 percent to 8.0 percent in 2022, constant at 4.0 percent in 2023, and down 0.1

Figure 16. US YoY Inflation by Major Component February vs. January 2023



Source: Bureau of Labor Statistics; Author's Calculations.

percent to 2.4 percent in 2024. Differences between Colorado and U.S. inflation (namely in 2023 and 2024) are consistent with previous forecasts, largely due to the relative weight and magnitude of shelter inflation in Colorado. Additionally, local and nationwide inflation are expected to dip in the middle of 2023, to 3.0 and 3.3 percent respectively as energy prices dip. After that temporary dip, inflation is expected to again tick up due to idiosyncracies of base effects on the indices year over year, before normalizing in the first quarter of 2024. Specific takeaways on each component are discussed in more detail below.

Energy

- *Recent Data:* After consistent month over month reductions in energy prices coming down from summer highs, January saw a slight tick upward in both the U.S. and Colorado. As a result of these ticks upward and varying seasonal trends, year over year inflation for Colorado bumped back up from flat to 8.8 percent while U.S. year over year price growth continued to come down from 9.0 percent to 8.4 percent, dropping further to 5.0 percent in February.
- *Factors Driving Prices:* Mild winters across the globe largely allowed energy inflation to drop precipitously in both the U.S. and Colorado despite the continuance of the Russia-Ukraine conflict. However, increased demand for energy (in particular reemerging from China) likely contributed to the January month over month bump, in addition to local factors related to the Suncor plant on the Colorado side.
- *Expectations:* Given the record numbers seen throughout the spring and summer of 2022 for both gasoline for vehicles and for natural gas and electric, it is expected that energy prices will continue to fall over the course of 2023, before stabilizing at lower levels in late 2023 and into 2024. Accordingly, OSPB expects that both U.S. and Colorado energy inflation will be slightly negative, at -1.8 percent in U.S. and -1.4 percent in Colorado year over year in January 2024.

Shelter

- *Recent Data:* After hitting at 10.0 percent year over year in November 2022, Colorado shelter inflation again reached 10.0 percent in January. U.S. shelter inflation has likely not peaked yet and reached 8.1 percent in January, up from 7.9 percent in January.
- *Factors Driving Prices:* Shelter inflation is calculated based on observed rental prices and imputed rents for properties that are not on the rental market. Given lease agreements (usually at least one year) and BLS methodology, shelter inflation generally lags and is much less volatile than increases in housing prices, as discussed in more detail in the previous (December) OSPB forecast. Accordingly, shelter inflation remains strong despite broader slowing in the housing market on higher interest rates and lower demand.
- *Expectations:* It is expected that Colorado shelter inflation (already at 10.0 percent) has reached its peak and will fall to 4.5 percent by the end of 2023, thus continuing to drive a significant portion of Colorado inflation through the end of the year. Meanwhile, the U.S.

has been slower to reach its shelter peak (currently at 8.1 percent) and is expected to peak at 8.3 percent in April before falling to 5.6 percent by the end of the year.

Goods minus Food/Energy

- *Recent Data:* Goods inflation has come down even more quickly than anticipated in recent months despite continued strength in consumer spending as supply chain constraints have lowered to levels not seen since prior to the pandemic. Accordingly, year over year goods inflation came in at 0.4 percent in Colorado and 1.3 percent in the U.S. for January. U.S. goods inflation came down further to 1.0 percent in February.
- *Factors Driving Prices:* The biggest factors driving strong disinflation (and in some cases deflation) across many categories of goods relate to significantly reduced supply chain issues, with domestic U.S. production increased and stronger production than anticipated across Asia and the EU. Prevailing news related to potential hiccups for core goods that have been expected to continue downward trajectories throughout the year, such as used cars sold at auction and new cars, has some worried that goods inflation might face steeper headwinds into 2023. However, OSPB expects supply chain trends to outweigh any headwinds.
- *Expectations:* Goods prices are expected to continue to drop through most of 2023 in both the U.S. and Colorado, with year over year prices expected to be nearly flat in January 2024, at -0.6 percent.

Food

- *Recent Data:* Food prices have continued to stay relatively more elevated than many anticipated earlier on in 2022, though they do continue to fall. Year over year U.S. food price growth has dropped from 11.3 percent in August to 9.5 percent in February. Similarly, food inflation in Colorado dropped from 12.0 percent in July to 9.3 percent in January.
- *Factors Driving Prices:* The effects from the conflict in Ukraine continue to constrain the supply of commodities including corn and wheat despite recent (late 2022) Russian concessions to extend an agreement allowing Ukraine to resume shipping of wheat and other products to global markets. Food costs also remain more elevated than expected as a result of continued high input prices for fertilizers, and lower water levels affecting agricultural shipments along the Mississippi. Outlook for food prices in future years will rely heavily on U.S. output in the upcoming spring and summer as well as the continuation of the conflict in Ukraine.
- *Expectations:* Despite these considerable headwinds, food prices are expected to moderate by the end of 2023, although still above normal levels, starting 2024 at 4.2 percent inflation for the U.S. and 3.6 percent for Colorado.

Services

- *Recent Data:* Alongside shelter and food, services inflation continues to be a major driver of headline CPI, though relatively lower in Colorado than in the U.S. as a whole despite higher wage growth locally. Colorado services inflation in January came in at 4.1 percent down from 7.4 percent in March 2022, while U.S. services grew at a year over year rate of 6.9 percent in February down from 8.0 percent in September 2022.
- *Factors Driving Prices:* Service inflation has been elevated in recent months due largely to two factors: (1) strong household balance sheets and consumer demand, in particular as demand shifts towards services spending and away from goods; and (2) significant wage growth due to the tightness of the labor market, for example with 2022 average hourly earnings for private sector employees up 8.0 percent on average in Colorado.
- *Expectations:* Service inflation is expected to have already peaked in both the U.S. and Colorado, but to remain elevated slightly above normal levels due to the impact of tight labor markets and wage growth on service prices. Accordingly, year over year U.S. service inflation is expected to decline to 3.7 percent by January 2024 and Colorado service inflation is expected to decline to 3.2 percent.

Federal Reserve Action

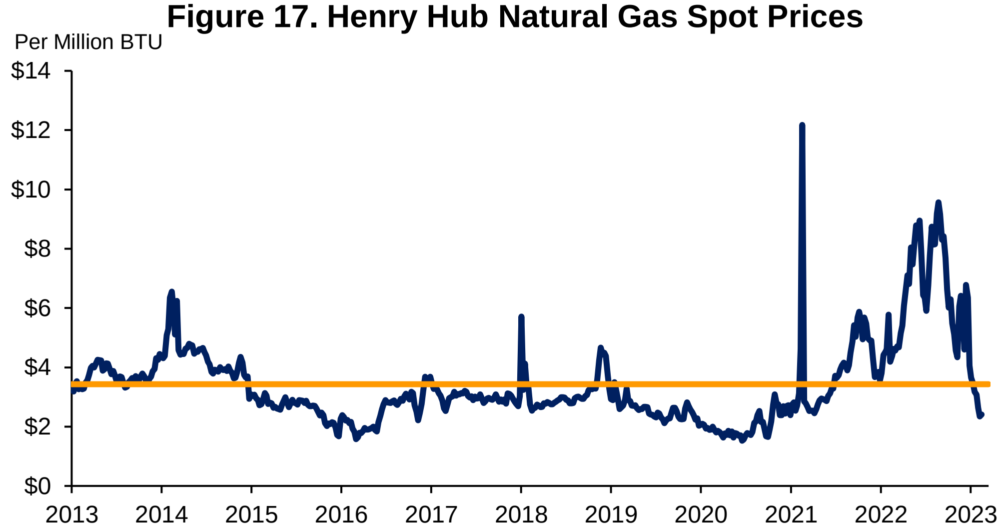
As a consequence of the inflation rates seen year-to-date in 2022, the Federal Reserve has pursued a tightened monetary policy by gradually raising interest rates, which is expected to continue through the end of the year. Federal Reserve Chair Jerome Powell has expressed the Fed's commitment to using interest rate hikes as a mechanism to slow inflation despite the effects it may have on consumer spending and the labor market. The first interest rate hike of 25 basis points (0.25 percent) occurred in March, followed by a 50-basis point increase in May, then four consecutive 75 basis point hikes in June, July, September, and November, and finally an additional 50 basis point hike in December. In February 2023, the Fed Funds rate increase slowed to 25 basis points, and up until March 10th, the consensus expectation was for continued incremental increases over the first half of the year due to strong jobs and inflation reports. However, with the recent Federal government takeovers of the Silicon Valley Bank and Signature Bank, expectations have shifted to pause on rate hikes in March. Additionally, the Federal Reserve, Treasury and FDIC made a recent joint announcement on two policies: 1) to lower the discount window on loans and 2) further insure deposits beyond $250,000. The goals of both are to further limit financial contagion that could otherwise result from deposit outflows. OSPB includes minimal financial contagion in its baseline scenario, but acknowledges a limited impact until the federal government's new support programs come fully online.

Energy

Over the final quarter of 2022 and beginning of 2023, increased natural gas production along with above-average temperatures around the country have led to increased inventories and significant downward pressure on Henry Hub natural gas spot prices. However, Colorado consumers have not yet seen this price relief in gas and electric utility bills at present due to the lag effect in pass-through prices utilized by utility companies. Oil prices have stabilized over the past quarter with risks remaining relatively balanced between regional recession possibilities around the globe weighing on forecast demand along with China's reopening leading to forecast demand upside risk. In Colorado, however, consumers have seen retail gas prices increase due to the Suncor refinery shutdown in late 2022. At the state level, consumers are expected to see price relief due to these macro trends over the second quarter of 2023. The energy sector continues to have above-average volatility throughout the forecast period due to uncertainty around production, geopolitical conflicts, and potential supply shocks.

Over the final quarter of 2022, Henry Hub natural gas weekly prices averaged $5.55 per million BTU – approximately 62 percent above the 10-year average of $3.43 per million BTU. Since the turn of the year, prices have seen significant downward pressure averaging $2.96 per million BTU on a weekly basis through mid-February, or about 14 percent below the 10-year average. These price decreases have largely been a product of above-average temperatures across the U.S., with the warmest January since 2006 weighing on natural gas demand. With that, natural gas production has outpaced demand early in 2023 leading to above-average inventories. The Energy Information Administration (EIA) forecasts that inventory levels will be 16 percent above five-year average levels at the end of March, which will lead to continued downward pressure on prices over the course of 2023.

Figure 17. Henry Hub Natural Gas Spot Prices

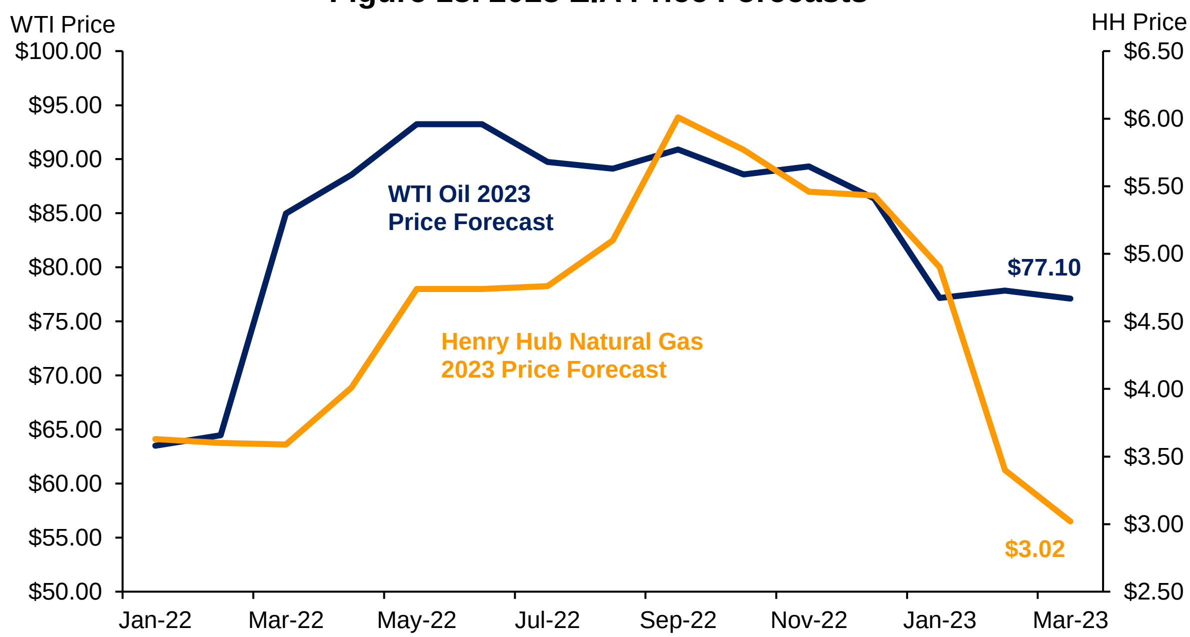


Note: The orange line denotes the Henry Hub ten-year average natural gas spot price.
Source: Energy Information Administration

While natural gas prices have decreased over the first two months of the year, Colorado consumers' gas and electric bills have been historically high. In fact, in December 2022, an average gas bill increased by approximately 75 percent compared to a year prior, while an average electric bill increased by 25 percent for a typical Xcel customer in Colorado according to the Public Utility Commission. Xcel is the largest gas and electric utility in the state. About two-thirds of the price increase was due to the cost of natural gas – which was about 40 percent higher in December compared to the year prior – that is passed through to customers along with usage increases due to the cold month of December in the state. Moving forward, gas and electric bills are expected to decrease as natural gas prices are forecast to maintain below-average levels and usage will decrease in the upcoming warmer spring months.

Similarly, Colorado consumers have not seen reduced prices at the gas pump even with stabilized, lower oil prices as the temporary Suncor refinery shutdown that took place in late December has increased retail gasoline prices in the state. Over the final quarter of 2022, West Texas Intermediate (WTI) oil prices averaged approximately $83 per barrel on a weekly basis and have dropped to about $78 per barrel on a weekly basis through mid-February in 2023, reflecting a six percent decrease. Typically, retail gasoline prices move in a strong correlation with oil prices, but since the beginning of the year, retail gas prices in Colorado have moved in direct contradiction to oil prices increasing from an average of $2.72 per gallon at the end of December to $4.10 in mid-February – a 51 percent increase. The significant increase corresponds with the shuttering of the Suncor refinery over the time period, as it has led to the need to ship in gasoline from further away which increases costs that pass through to the consumer. The refinery is expected

Figure 18. 2023 EIA Price Forecasts

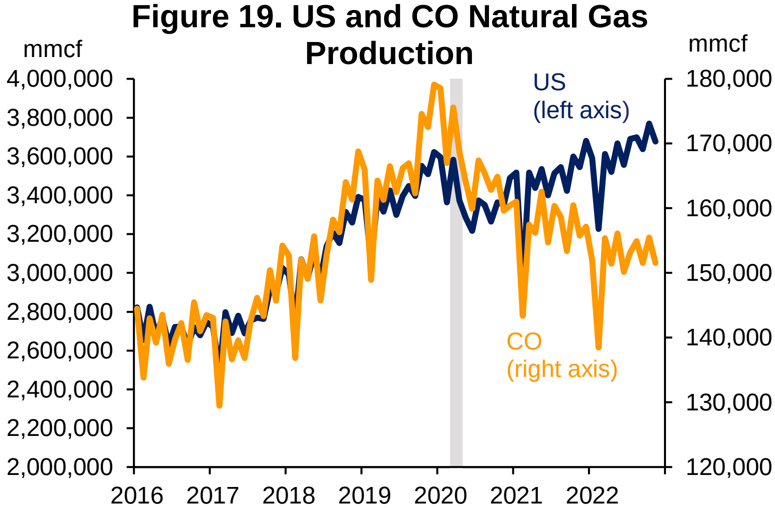


Source: Energy Information Administration
Note: The chart reflects the EIA's reported annual 2023 spot price forecasts on a monthly basis from January 2022 to March 2023 for West Texas Intermediate price per barrel and Henry Hub price per million BTU.

to be fully operational again by the end of March, which will lead to reduced retail gas prices in the state with oil prices stabilizing.

Although regional and lag effects have led to increased consumer energy prices, these costs are expected to decrease over the course of the year as reduced oil and natural gas prices flow through to consumer prices. Figure 19 shows the EIA's 2023 price forecast over time for WTI oil per barrel and Henry Hub natural gas per million BTU. As depicted in the chart, prices in 2023 were expected to be significantly higher over the summer and fall of 2022, but since then, they have seen significant revisions downward. The 2023 WTI price per barrel forecast peaked at $93.24 over the summer of 2022 and is now forecast at $77.84 as weaker global macroeconomic conditions are expected within EIA's forecast and domestic production is forecast to be the highest on record. The Henry Hub forecast price saw even more dramatic swings as it peaked at $6.01 in September and is now expected at below the ten-year average price at $3.40 over 2023. This is largely due to increased production leading to above-average inventories as the country as a whole has experienced warmer than average temperatures this winter, while natural gas stockpiles in Europe remain strong.

Figure 19. US and CO Natural Gas Production

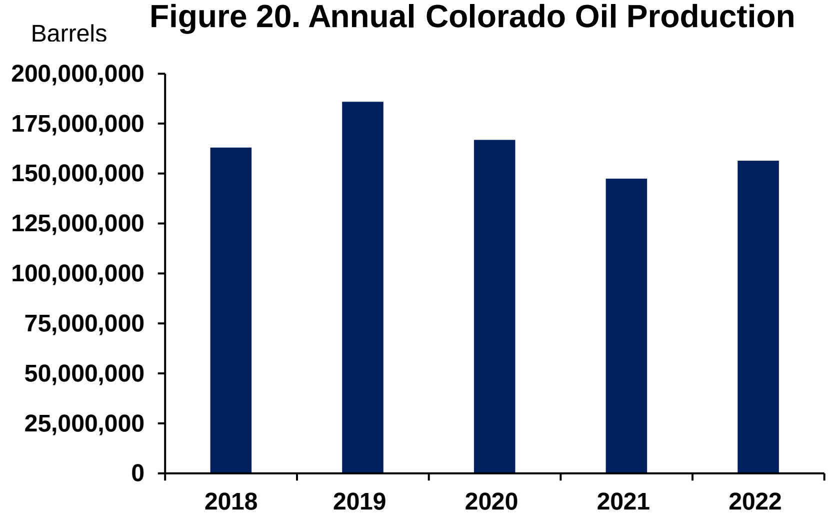


Note: Shaded area denotes recession
Source: Energy Information Administration; Baker Hughes.

Regarding production, domestic natural gas production reached record levels over the course of 2022 as U.S. liquefied natural gas exports to Europe also reached record levels in response to the curtailing of Russian supply. Statewide production growth continued to lag the nation as a whole, as production growth in the Permian Basin in West Texas and New Mexico and the Haynesville Shale in East Texas and Louisiana have driven much of the growth. The EIA forecasts that domestic production will continue to increase in 2023, though there may be some resistance with prices forecast to remain below average during the year with built-up inventories.

In 2022, domestic oil production did not quite reach the record level set in 2019, however, the EIA forecasts that production in 2023 will surpass 2019 levels. The combination of increased natural gas and oil production will continue to exert downward pressure on prices. In Colorado, oil production increased in 2022 over 2021 by 6.1 percent as reflected in Figure 20; however, production still remained 15.8 percent below the record level set in 2019. Given lagging statewide production over the final quarter of 2022, it is unlikely that the 2023 state production will reach the historic levels of 2019 as the nation is forecast to attain. This divergence is largely expected because statewide rig counts have declined from 22 in December to 17 in February, reflecting a sharper rate of decline than nationwide rig counts and likely indicating an upcoming decline in production. Further, production in Weld County – which represents nearly 85 percent of statewide oil production – was relatively flat year-over-year from 2021 to 2022 with growth of only 0.6 percent. While Adams County, Arapahoe County, and Broomfield County saw significant production increases year-over-year and largely drove the overall statewide 6.1 percent increase, these counties make up a smaller share of overall statewide oil production at an approximate 12 percent share in 2022.

Figure 20. Annual Colorado Oil Production



Note: This chart depicts the top six oil-producing counties in Colorado which make up approximately 98 percent of production.
Source: Colorado Oil and Gas Conservation Commission.

Looking forward regionally, the Federal Reserve's Tenth District Energy Survey – which includes Colorado – indicated in the final quarter of 2022 that business activity decelerated while forward-looking industry expectations remained positive, though not as positive as prior quarters in 2022. Expectations over the next six months for drilling and business activity, capital expenditures, and total revenues remain positive overall but at a lesser level than was indicated during all previous quarters in 2022. Industry respondents indicated $64 per barrel of WTI oil as their breakeven price, while $89 per barrel would lead to substantially increased drilling. With prices expected to remain between those amounts throughout the year, production is expected to remain healthy though not markedly increase.

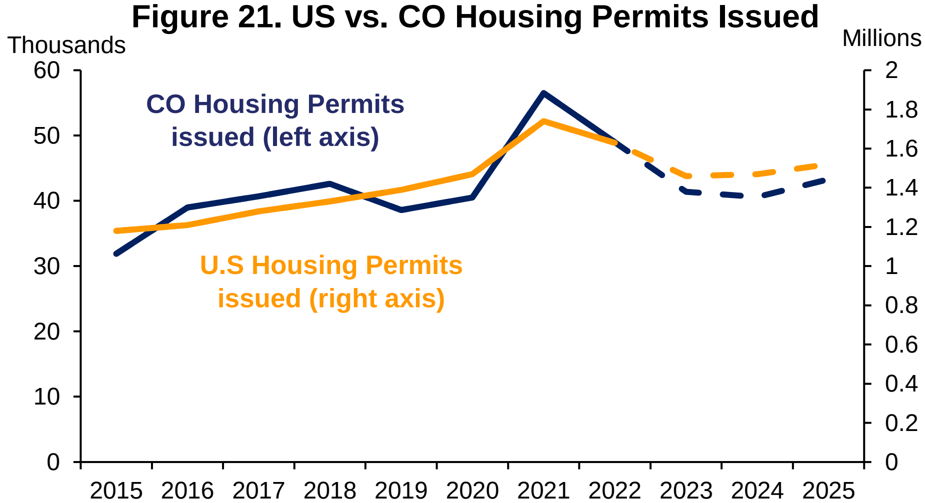
Over the course of the forecast period, uncertainty in the energy sector remains quite high as global macroeconomic conditions are expected to weaken in 2023, geopolitical risks remain elevated, China's post-pandemic economy reopens, Russian energy production uncertainty persists, and extreme weather events become more commonplace. These factors, among myriad others, place the sector on an ambiguous trajectory over the forecast period with heightened risk of supply shocks.

Housing and Rental Market

Both Colorado and the U.S. are coming off a hot housing market cycle but are showing signs of cooling in the latter half of 2022 and into 2023. The market is expected to remain cooler into 2024 and begin to fully rebound in 2025. During 2021 and early 2022, there was substantial demand and competition for available properties on the market in Colorado. This competition highlighted larger-scale supply issues as prices were driven up to record levels across the state. To cope with the demand and lack of supply coming out of the COVID-19 pandemic, Colorado and the United States both saw a significant rise in housing permits to levels not seen since the early 2000s ahead of the housing bubble. While these permitting levels did in fact remain elevated in 2022, the numbers on housing permits tapered off slightly from 2021.

The housing market now looks vastly different than it did at the start of 2022. With increased interest rates and unsteady economic conditions, both buyers and investors have been deterred from purchasing and building more homes. Therefore, OSPB forecasts that housing permits in the US and Colorado will taper off over the next two years. If a more intense than anticipated economic downturn occurs, housing could take a bigger hit as Coloradans and investors look to save money by pulling back from large purchases. The data for housing permits in both Colorado and the United States fell for 2022 as a result of stronger pullback in demand than anticipated. Considering recent movements in 2022, OSPB also revised expectations for 2023 to reflect a larger reduction in permitting than was expected in December, as demonstrated by below trend permitting in 2023 and 2024 in Figure 21.

Figure 21. US vs. CO Housing Permits Issued

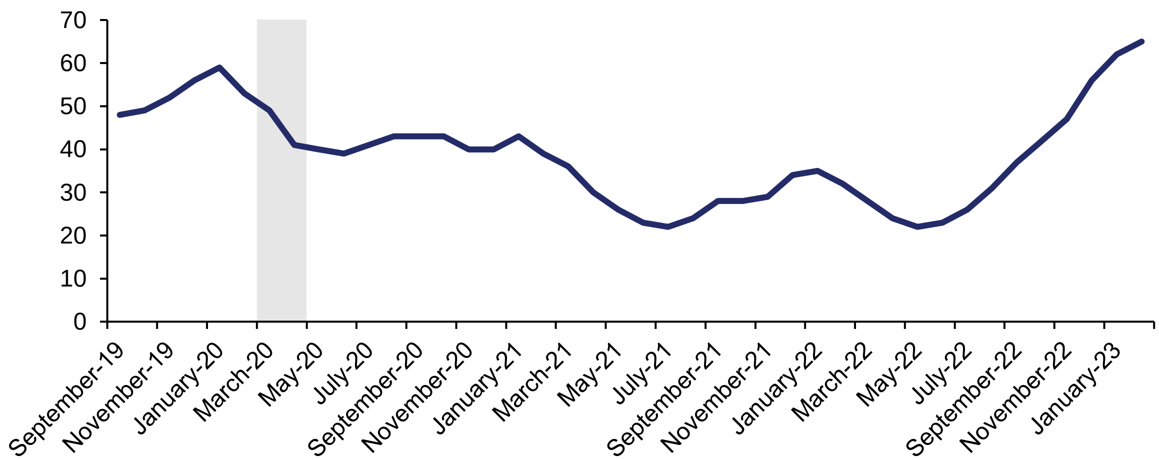


Source: U.S. Census Bureau
Note: Dotted line indicates forecast

The historical average of the last 5 years prior to the COVID-19 pandemic was slightly below 40,000 permits issued per year. As shown in Figure 21, OSPB forecasts a 15.4 percent decrease of housing permits issues from 2022 to 2023, and a 2.1 percent decrease in housing permits issues from 2023 to 2024 in Colorado. However, even with these declines, permitting would still remain just above 40,000 per year. From 2024 to 2025, OSPB forecasts growth of 6.7 percent in housing permits issued, following the trend of a rebounding economy and housing permits remaining elevated compared to historical levels.

Average time to completion increased during the pandemic and has not yet returned to normal pre-pandemic levels.[2] It is likely that this is because of workforce limitations and lingering supply chain issues. The industry is still struggling to find workers in a tight labor market and supply chain issues are not fully resolved though both of these factors are trending in correct direction, e.g. the Producer Price Index (PPI) for construction materials is down 5.7 percent year over year in January. The future for shortening completion time is brightened by further developing technology and modular housing, especially in Colorado.

Figure 22. Average Days on Market for Single Family Home Until Sold in CO



Source: Colorado Association of Realtors

In addition to the story regarding new homes, homes already on the market also contribute to the housing story and are not selling as quickly as they were one year ago. According to the Colorado Association of Realtors, the average time on the market for a home has increased by 77 percent since last January, increasing from 35 days to 62 days for a single-family home. The inventory of active listings has also increased by 68 percent statewide. This trend further emphasizes that many buyers are holding off until economic conditions stabilize, monetary policy loosens, and available supply increases.

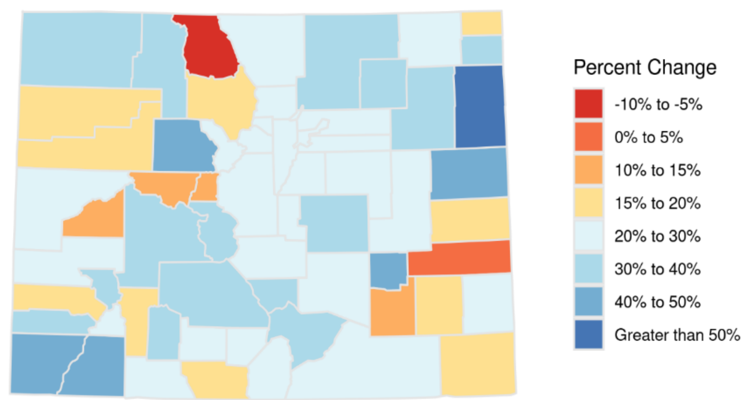
[2] According to the Federal Reserve Bank of St. Louis

Despite these trends in supply and cooling demand, data from the Colorado Association of Realtors shows that the median price of a home is the same as it was in Colorado one year ago at $520,000 though the median home sale price in the Denver Metro region has declined by 1.4 percent from a year ago. While price growth trends have softened considerably, stable trends in median prices and new home sales demonstrate that affordability remains an issue for the average Coloradan. Issues around affordability and barriers to homeownership are particularly pervasive in historically marginalized communities. According to the US Census Bureau, only 42.2 percent of black occupants own their homes in Colorado, just shy of national average of 44 percent and well below the 71.2 percent for their white counterparts.

Figure 23.

Year Over Year Change In Fair Market Rent in Colorado

By County, 2019-2023, Two-Bedroom Unit



Dept. of Housing and Urban Development API

Compared to pre-pandemic conditions, rent has increased in nearly every county across the state according to HUD. Figure 23 shows that two-bedroom units across Colorado increased at least 20 percent in many counties, with some regional variation but increases in nearly every county. Many counties had between a 20 and 40 percent rent increase, while counties such as Eagle County and Yuma County saw extreme growth above 40 percent. The aggressive rent raises in many areas of the state have further contributed to the struggles of the average Coloradan, with lower income individuals having to spend a larger portion of their paycheck on rent with limited other options.

Demographics

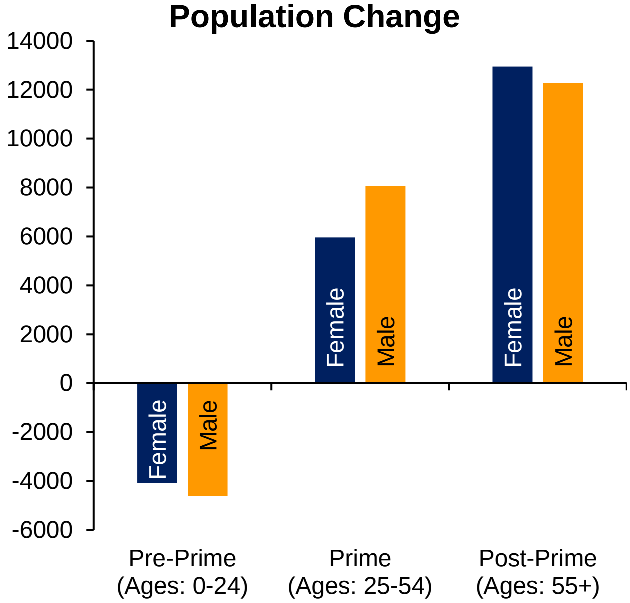
Colorado's demographic composition has been shifting over the last decade, and this trend has only been accelerated by the COVID-19 pandemic. Population increases in the state had already begun to slow in 2019 when population grew by 58,001, the first time since 2006 that population had grown by less than 70,000. The slowing rate of population growth of 0.9 percent in 2020, 0.5 percent in 2021, and an OPSB estimate of 0.5 percent in 2022 has been driven by a trend of increased resident deaths and decreased net migration. Increased resident deaths can be attributed in part to an aging population. Early reports from the State Demographer's Office (SDO) indicate that annual deaths in 2022 will top 49,000.

The 65+ age group grew by an average of 31,648 people per year (4.6 percent) in the 2010's and has continued to significantly outpace every other age demographic in Colorado. Another significant trend that has been accelerated since the beginning of the pandemic is the shrinking

0-15 and 25-34 age demographics. The state has seen declines in the 0-15 age group since 2017 with the largest decrease coming in 2021 when the 0-15 age group shrank by 12,024. Colorado is not alone in this trend. On the national level, with the exception of 2016 and 2017, there were declines in the 0-15 demographic every year in the 2010's. However, Colorado has experienced stronger decreases to this demographic than at the national level since 2017. The decline in population in the 25-34 age group is particularly acute to females compared to males. The trend of an aging population in Colorado is particularly concerning in the context of the prime working age population.

Net domestic migration into the state has always been concentrated in young adults. However, this normally strong inflow did not occur in 2021, with the SDO reporting that net domestic migration was 72.0 percent below average and net international migration was 50.0 percent below average. These migration trends have resulted in large drops in the annual change of prime working age individuals, ages 25-54. While there was a slight uptick in 2021 in the prime working age population, it is still suppressed when compared to pre-pandemic levels for both females and males. The reduced number of workers entering the prime age group from the pre-prime group highlights that Colorado will continue to have a tight labor market. However, Colorado benefits from higher labor force participation than the country as a whole due to the fact that, despite its rapidly aging population, Colorado still has a greater share of working age individuals than the nation as a whole. Furthermore, Colorado's population has higher levels of educational attainment, particularly in the female population, than the nation.

Figure 24. 2020-2021 Colorado Prime Working Age Group Population Change



Source: State Demographer's Office

Forecast Risks

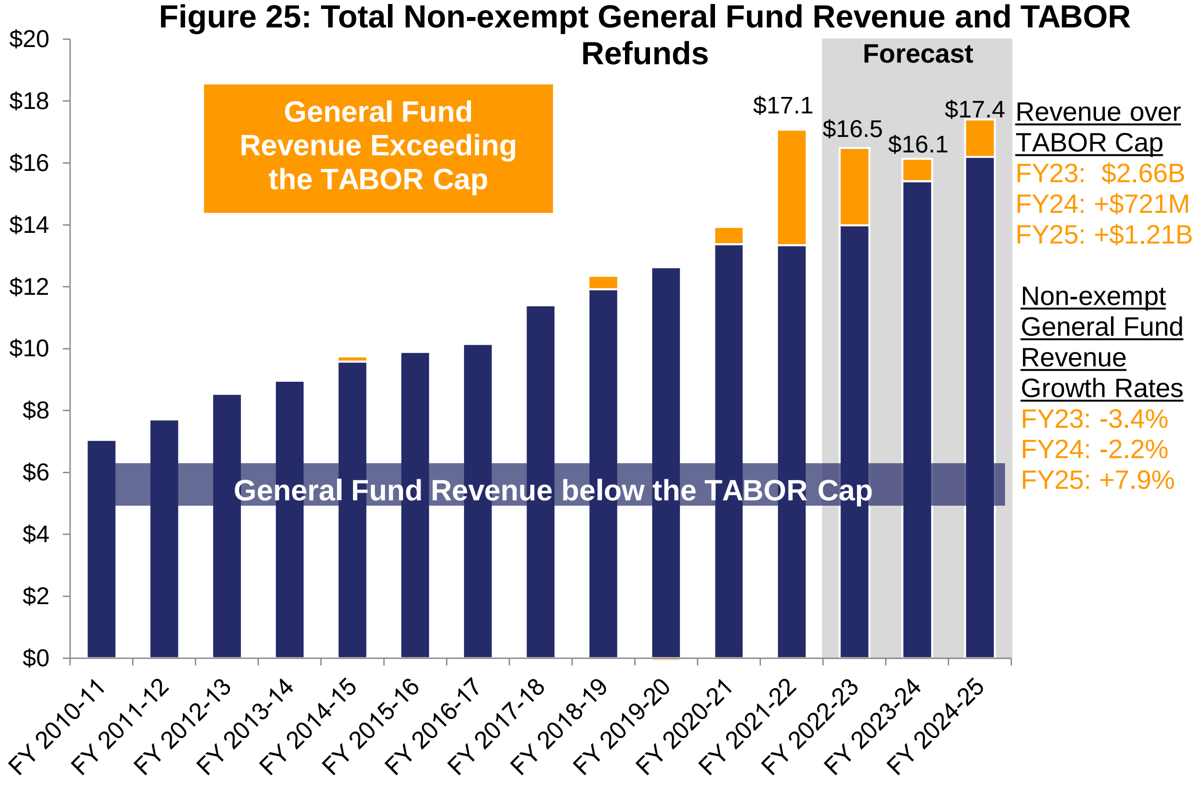
OSPB creates a point estimate forecast for all economic and revenue variables. However, it does explore alternative economic growth scenarios to capture the risks in the economic environment. The baseline scenario includes sustained but slowing inflation, as monetary policy hikes begin to impact consumer and labor demand. While job market loosening is expected, it is still relatively tight as jobs available are expected to continue to outnumber unemployed persons throughout the forecast period. However, by the end of 2023, consumers are expected to be over-leveraged on credit card debt as they also deplete their excess savings. The resulting pullback in spending is expected to lead to two quarters of slightly negative economic growth (often referred to as a "technical recession"), but OSPB does not expect the National Bureau of Economic Research to call a recession given that unemployment nationwide is expected to remain below 4.5 percent. Colorado unemployment is expected to fare even better, peaking at 4.0 percent. Altogether, OSPB views the chances of a recession at 40 percent, below the consensus view, given the strength of the labor market and a rebalancing of spending.

Downside risks to the forecast include financial contagion due to bank runs on deposits, elevated inflation and jobs growth that may motivate further Federal Reserve monetary policy tightening, a stalling of debt limit negotiations in the summer, and geopolitical risk. Upside risks include services inflation slowing more quickly than wage growth, a wider than expected gap in the workforce-job openings ratio, and layoffs being limited to a small subset of industries that are highly leveraged and rebalancing after aggressive over-hiring, e.g. tech. Overall, OSPB views economic conditions underlying this forecast as being slightly weighted towards the downside, but relatively balanced.

General Fund Outlook

General Fund revenue increased 23.7 percent in FY 2021-22 to $17,697.9 million. Following stronger than expected revenue collections year-to-date and a healthier near-term economic outlook, OSPB has upwardly revised General Fund expectations in FY 2022-23. General Fund revenue expectations in FY 2023-24 are also upwardly revised largely based upon a more optimistic corporate profits forecast, and FY 2024-25 is revised upward as well largely due to an anticipated aggregate wage and salary resurgence following slower growth in FY 2023-24. In FY 2022-23, revenue is expected to decline by 4.1 percent and drop by another 1.6 percent in FY 2023-24 before rebounding strongly in FY 2024-25 with 8.0 percent growth. General Fund revenue for FY 2022-23 is revised up by $128.1 million, or 0.7 percent, from December. The forecast for FY 2023-24 is $201.7 million higher than estimated in December, and the forecast in FY 2024-25 is revised up $412.6 million from December.

Figure 25: Total Non-exempt General Fund Revenue and TABOR Refunds



General Fund revenue is projected to exceed the TABOR cap throughout the forecast period. Revenue exceeded the cap by $3.73 billion in FY 2021-22. Going forward, General Fund revenue is projected to be above the TABOR cap by $2.66 billion in FY 2022-23, $720.9 million in FY 2023-

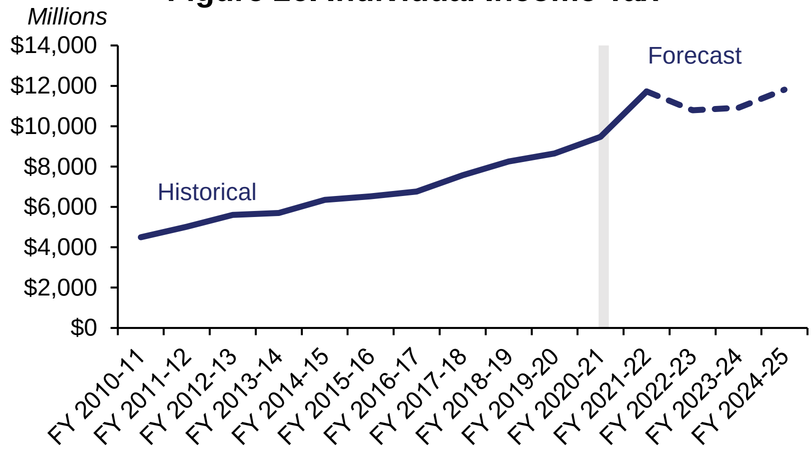
24, and $1.21 billion in FY 2024-25. This is a revision upward of $320.0 million from the December forecast for FY 2022-23 and upward revisions of $250.1 million and $470.8 million for FY 2023-24 and FY 2024-25, respectively.

Individual Income Tax

Overall Forecast Trends

Individual income tax receipts in FY 2021-22 increased by 23.6 percent to $11.7 billion compared to the prior fiscal year. This record growth was driven by 16.4 percent growth in withholdings as a result of a strong labor market in addition to record estimated payments and cash with returns as the economy rebounded quickly from the pandemic recession. Estimated payments drastically exceeded expectations due to pass-through businesses widely adjusting estimated earnings up from the required levels of the previous year to account for a continuation of growing record profits to start 2022. This business decision was also motivated by firms owing a significant amount in cash with returns in April as a result of underreporting previous estimated payments. In addition to that, cash with returns increased because of capital gains owed on equity sales during the stock market boom in 2021.

Figure 26. Individual Income Tax



Source: Colorado Department of Revenue, OSPB Forecast

Figure 27. Summarized Individual Income Revenue Revisions

Fiscal Year	Total Individual Income Revenue (in $M)	Growth	Revision from Previous Forecast (in $M)	Reasons for Revisions
FY 2022-23	$10,787.7	-7.9%	($185.7)	Increased refunds more than offset growth in estimated payments, cash with returns due to recent actuals, Anschutz v DOR
FY 2023-24	$10,917.6	1.2%	$41.5	Increased expectations of estimated payments, cash with returns as small businesses show resilience
FY 2024-25	$11,810.5	8.2%	$285.0	Largely a result of increased withholdings

Overall better economic conditions for FY 2022-23 relative to the December forecast are not enough to outweigh the drag of increased refunds that are partially the result of the outcome of the Anschutz v. Department of Revenue ruling, resulting in a downward revision of $185.7 million. As a part of that decision, the court ruled that a congressional amendment to federal income tax laws that lowers prior years' federal taxable income should indeed allow business and individual filers to amend prior returns in order to claim a refund. As a result, overall individual income revenue is expected to decrease by 7.9 percent as compared to FY 2021-22.

In FY 2023-24, individual income revenue is expected to increase slightly despite slowing wage growth and declining consumer demand. Withholding revenue is anticipated to grow, but below its trend rate as wage growth slows. Additionally, declining consumer demand impacts businesses' bottom line profits, and when combined with shrinking non-wage income (particularly asset and rental income), the result is an expected fall in estimated payments and cash with returns by 15.8 and 7.8 percent, respectively. However, with refunds returning to FY 2021-22 levels, this more than offsets such a decline, leading to 1.2 percent growth in revenue overall for the fiscal year. In FY 2024-25, overall individual income revenue returns slightly above historical growth of 8.2 percent as the economy stabilizes.

Component Trends

Withholdings

Individual income tax withholdings account for more than 80 percent of net individual income tax receipts and are closely linked to aggregate wages and salaries. Colorado aggregate wages and salaries are currently strong in response to a historically tight labor market, in line with expectations from December. There is minimal change in the relative pace of growth in calendar years 2022, 2023, or 2024, and recently reported withholdings revenue has been in line with December's expectations. Therefore, in FY 2022-23 and FY 2023-24, withholdings are only revised up $38.0 and $27.5 million, respectively. In FY 2024-25, though, revisions are revised up by $170.1 million after closer consideration of calendar year 2025 expectations. Specifically, OSPB expects average hourly earnings to stabilize above 2024 averages while nonfarm payrolls are expected to surpass 3 million workers for the first time in history by the final months of 2025.

Estimated Payments

In FY 2021-22, estimated payments hit a new record, alongside record business earnings. During the second half of 2022, corporations have made higher profits than expected in the December forecast, and this strength is expected to continue through the end of FY 2022-23. Therefore, estimated payments decline by 30.4 percent, a $170.5 million upward revision from the last forecast due to stronger earnings. Then, as the economy is projected to slow in the second half of 2023, pass-through businesses are expected to respond by reversing course and reducing estimates to account for the new environment. The slowing economy is a result of depressed aggregate demand in the face of higher interest rates, which impacts small businesses and C-corps alike. More expensive lending options and slowing consumer demand are expected to be obstacles on recently formed businesses in particular, many of which were financed during the supportive fiscal and monetary policy over the last two years. The result is a slightly larger decline than the December forecast - 15.8 percent compared with 10 percent - but a decline from a higher level which results in a $46.3 million upward revision. In FY 2024-25, the economy is expected to stabilize and as a result, estimated payments are forecast to grow 12.9 percent.

Cash with Returns and Refunds

In general, the forecast assumes cash with returns and refunds largely offset each other, meaning that filers in aggregate are reasonably effective at covering expected tax obligations through withholdings and estimated payments. Cash with returns are revised up $113.1 million from the last forecast in FY 2022-23. This is because of continued strength in corporate profits above expectations that has meant companies are unable to prepay for future taxes with estimated payments owed. In FY 2023-24, cash with returns are expected to fall by 7.8 percent to amounts just above FY 2021-22, as a slowing economy more than offsets a slight uptick to account for the pullback in estimated payments. Finally, refunds are expected to increase in FY 2022-23, partially as a result of Anschutz v. Department of Revenue, as discussed earlier, then stabilize at FY 2021-22 levels during FY 2023-24 and FY 2024-25.

Policy Adjustments

In addition to the above economic drivers, there are additional policy impacts, particularly from the recent November ballot. *Proposition 121 State Income Tax Rate Reduction* passed in that election, which lowers the income tax rate to 4.4 percent. Additionally, *Proposition FF Healthy School Meals for All* limits state income tax deductions on households with more than $300,000 in income, which increases FY 2022-23 individual income revenue by an estimated $48.9 million and FY 2023-24 revenue by an expected $98.5 million. Finally, *Proposition 123 Dedicate Revenue for Affordable Housing Programs* affects retained GF revenue, as an estimated $144.2 million is diverted in FY 2022-23 and $289.7 million is diverted in FY 2023-24. These are the largest state policy changes, but there are also bills from the last two State legislative sessions that are accounted for as well, described in the paragraph below.

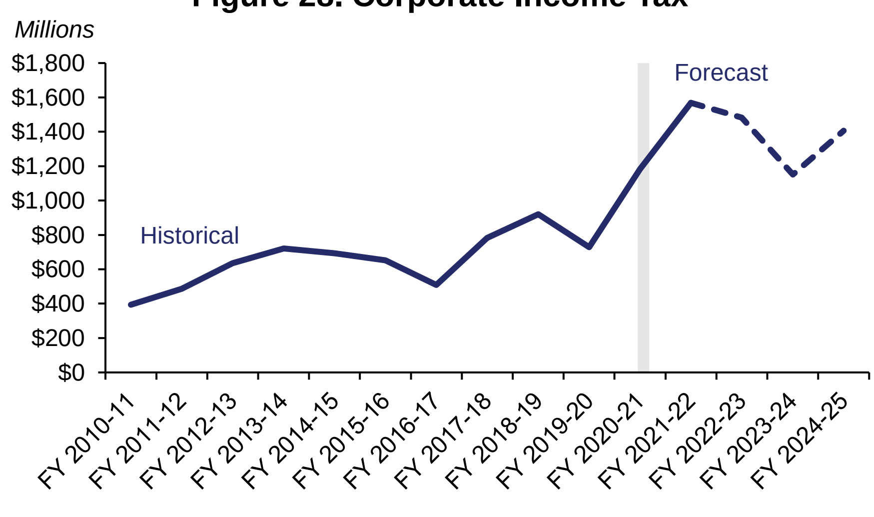
From the 16 bills with a revenue impact in the most recent session, *HB22-1205* (Senior Housing Income Tax Credit) has the largest effect. This bill creates a new one-time refundable income tax credit for seniors who own a home but don't qualify for the Homestead Exemption, and is expected to increase refunds by $95 million, over FY 2021-22 and FY 2022-23, with additional reductions to cash with returns of $5 million. From the 2021 legislative session, portions of *HB21-1311* and *HB21-1312* have increasing impacts in FY 2022-23 and beyond. One such example is the cap on itemized deductions in *HB21-1311*, which ramps up significantly in FY 2022-23 and is expected to increase cash with returns by $123.7 million on an accrued basis, over double the impact relative to the current fiscal year.

Finally, there are three federal bills driving policy adjustments. First, the Inflation Reduction Act (IRA) has a minimal, positive impact on revenue, mostly as a result of increased IRS audit enforcement. This minimal impact is due to the fact that the base of Colorado's income tax is federal taxable income, so changes to existing federal credits or the creation of new credits that don't affect taxable income need no adjustment for the forecast period. Similarly, the IRA's creation of a new 15 percent corporate minimum tax on certain large corporations doesn't result in a state revenue impact because Colorado imposes its own state tax rate. Only three provisions in the IRA affect state income tax revenues in the forecast period. The largest comes from increased funding for IRS tax enforcement activities, which should increase collections from state audits given the IRS often shares audit results with states but those impacts are delayed. OSPB's initial expectations are that those amount to less than one percent of overall revenue by FY 2024-25. The IRA also expands a federal deduction (reducing taxable income) and provides for a variety of grants (increasing taxable income), which will affect the tax liabilities of certain state taxpayers. The IRA extended a limitation on the excess business losses of non-corporate taxpayers as well, but that won't result in state revenue impacts until FY 2026-27. Second, the Infrastructure Investment and Jobs Act, also has a minimal impact through the forecast period. Finally, the federal December Omnibus bill included the Secure Act 2.0, which focuses on retirement plans and is expected to increase state individual income revenue by $18.4 and $16.3 million in FY 2023-24 and FY 2024-25. Specific rule changes to retirement plans that will increase expected revenue include measures on early retirement plan withdrawals and elected deferrals to the contribution limit.

Corporate Income Tax

In FY 2021-22, corporate income tax receipts grew 32.5 percent off of the previous fiscal year's historic highs as corporate profits growth outpaced expectations. This sustained healthy business environment with high profits has continued through the end of 2022, growing an expected 6.2 percent on average in the calendar year. Based on continued economic strength to start 2023, OSPB has revised up expected corporate profits this year to decline by less - now 2.3 percent instead of 4.8 percent as projected in December. Given the already strong revenue this fiscal year combined with a perceived adaptability of large corporations, OSPB has revised up by $333.3 million in FY 2022-23, necessitating a slightly smaller expected drop in corporate tax revenue of 5.5 percent. The

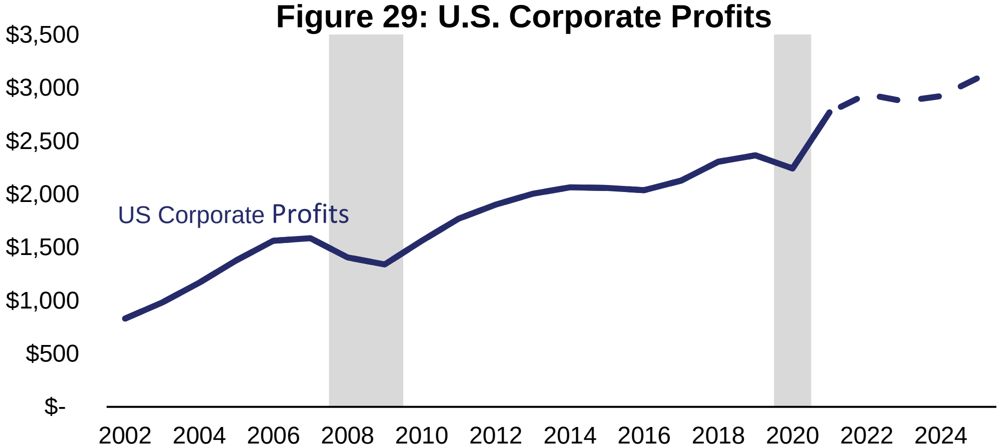
Figure 28. Corporate Income Tax



Source: Colorado Department of Revenue, OSPB Forecast upward revisions in estimated payments and cash with returns more than offset increased expected refunds. However, declines from recent record highs in corporate profits are expected beginning in mid-2023 as a result of slowing aggregate demand, resulting in an expected further contraction of 22.4 percent in FY 2023-24. However, additional state transfers through TABOR refunds further support consumer spending, indirectly supporting corporate profits, thereby leading to a $158.1 million upward revision in tax revenue in FY 2023-24 from the last forecast. In FY 2024-25, a newly rebalanced and stable economic environment allows for a 22.2 percent revenue increase as economic growth is expected to again grow faster than potential by the middle of 2024.

When developing expectations on future corporate income revenue, an important variable to consider is corporate profits before taxes, accounting for inventory and capital adjustments. In the most recent reported quarter (July-September 2022), such profits nationwide were second highest on record, at $3.0 trillion, after the prior quarter. Prior to the pandemic, the record was $2.43 trillion, but that mark has been broken every quarter for the last two years. However, as the consumer basket shifts away from durable goods towards services, growth in profits from these historic highs is expected to fall by 2.3 percent in 2023 before rebounding with the economy in 2024.

Figure 29: U.S. Corporate Profits



Source: Bureau of Economic Analysis

In FY 2022-23, estimated payments are expected to rise 16.0 percent while cash with returns rise by 13.3 percent. Cash with returns were expected to fall in December, but observing recent revenue data in this category shows that C-corps still have a need to pay out cash with returns at a higher level than expected in the last forecast, due to profits still outpacing expectations. In FY 2023-24, drops of 26.1 and 27.1 percent in estimated payments and cash with returns are expected as the economy slows. In FY 2024-25, estimated payments and cash with returns are expected to grow by double digits while refunds stabilize.

In addition to the above economic drivers, there are additional policy impacts, particularly from the recent November ballot. *Proposition 121 State Income Tax Rate Reduction* passed in that election, which requires a new income rate of 4.4 percent, instead of 4.55 percent. This is the largest policy impact but there are also bills from the last two State legislative sessions that are accounted for as well. From the bills with a revenue impact in the most recent session, *HB22-1026* (Alternative Transportation Options Tax Credit) has the largest effect. This bill replaces an existing income tax deduction for employers who provide ridesharing, transit, or other transportation options with an expanded credit. The bill reduces cash with returns revenue by an accrued $6.6 million in FY 2022-23 and $14.1 million in FY 2023-24. While last session's bills largely reduced anticipated cash with returns revenue, the 2021 session largely increased corporate cash with returns revenue through *HB21-1311* and *HB21-1312*. Those two bills have increasing impacts in the outyears which are accounted for, including moving to the 'Finnigan' corporate tax apportionment (where a corporation is taxable if any member of its unitary group is taxable), which more than double to $20.2 million on an accrued basis in FY 2022-23. Finally, there are two federal bills driving policy adjustments. First, the Inflation Reduction Act has a minimal, positive impact on revenue, mostly as a result of increased IRS audit enforcement, but those impacts are delayed and OSPB's initial expectations are that those amount to less than one percent of overall revenue by FY 2024-25. Second, the Infrastructure Investment and Jobs Act, also has a minimal impact through the forecast period.

Sales and Use Taxes

Sales Tax

In FY 2021-22, $4.09 billion in sales tax revenue was collected, representing 19.6 percent growth over FY 2020-21. Sales tax revenue is forecast to grow by 6.4 percent in FY 2022-23 to $4.35 billion. Compared to the December forecast, this is an upward revision of $5.0 million even though collections in recent months have come in slightly below expectations, as more strength in consumption is forecast over the final quarter of the fiscal year relative to expectations in December. Revenue in FY 2023-24 is downwardly revised from December by $14.1 million to $4.39 billion as tightening monetary policy, dwindling savings, and increased consumer debt are forecast to place downward pressure on spending. FY 2024-25 expectations are slightly revised up from December with sales tax revenue forecast to register 5.1 percent growth and $4.61 billion in revenue. Consumer spending is expected to maintain strength over the first half of 2023 before flattening and then turning negative on a real basis in the second half of the year, which will cause significant downward pressure on sales tax revenue in FY 2023-24. While relatively flat real growth in FY 2022-23 is forecast, real growth in FY 2023-24 is expected to turn decidedly negative with slight nominal growth a product of inflation. Real growth is expected to materialize again in FY 2024-25 when consumer spending is forecast to rebound and normalize. Sales tax growth is largely predicated upon nominal state retail sales growth which grew by 11.8 percent in calendar year 2022 and is forecast to grow by 3.2 percent in 2023, 3.2 percent in 2024, and 4.9 percent in 2025.

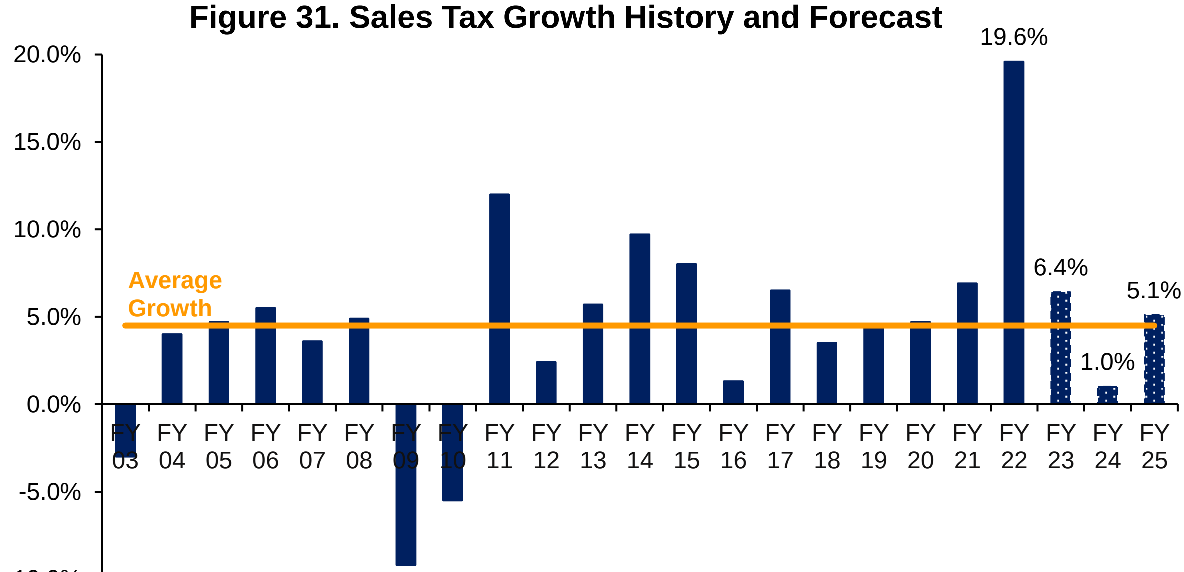
Figure 30. Sales and Use Tax Revenue Forecast

Fiscal Year	Sales Revenue (millions)	Growth	Use Revenue (millions)	Growth	Total Revenue (millions)	Growth
FY 2021-22 (actual)	$4,089.0	19.6%	$232.6	8.6%	$4,321.6	19.0%
FY 2022-23	$4,349.6	6.4%	$255.9	10.0%	$4,605.5	6.6%
FY 2023-24	$4,392.3	1.0%	$246.3	-3.7%	$4,638.6	0.7%
FY 2024-25	$4,614.1	5.1%	$263.9	7.1%	$4,878.0	5.2%

This forecast also takes into account policy adjustments due to recent legislative action that are not fully incorporated into the broader sales tax base trend. These adjustments are forecast to result in a sales tax revenue reduction of $22.4 million in FY 2022-23 and an increase of $21.3 million in FY 2023-24. The most significant policy impact comes from *HB22-1406*, Qualified Retailer Retain Sales Tax, which allows certain businesses in the food services sector to deduct up to $70,000 from net taxable sales for up to five locations each month. This deduction was only allowed over the first quarter of FY 2022-23 and will result in an estimated sales tax revenue reduction of $39.3 million.

After historic sales tax strength in FY 2021-22, revenue growth is expected to normalize in FY 2022-23, weaken in FY 2023-24, and rebound in FY 2024-25. Compared to the 20-year average sales tax growth of 4.5 percent, growth in FY 2021-22 jumped by more than four times the average at 19.6 percent. In FY 2022-23, growth is forecast to normalize from the historic mark reached in the prior year, relatively closer to average, before weakening considerably in FY 2023-24 with meager growth well below the average. Growth is expected to rebound in FY 2024-25 just above long-term average levels. Figure 31 illustrates historic sales tax growth by fiscal year and forecast growth rates.

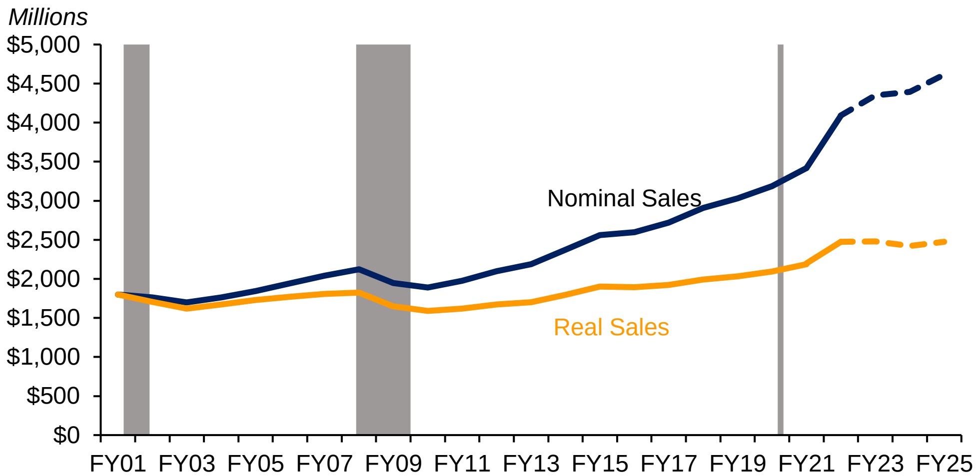
Figure 31. Sales Tax Growth History and Forecast



Note: Dotted bars indicate forecast. Orange line indicates the 20-year average sales tax growth rate.

While sales tax growth in FY 2021-22 of 19.6 percent came in nearly three times above inflation levels, the forecast growth in FY 2022-23 of 6.4 percent is just above inflation expectations on a fiscal year basis, reflecting positive yet relatively flat real growth. This is illustrated in Figure 32, depicting real sales flattening over the forecast period and turning negative in FY 2023-24. Strength in nominal sales is forecast to remain over the forecast period even with the spending slowdown in FY 2023-24 as growth is expected to average 4.1 percent over the three fiscal years – right around the long-term average of 4.5 percent. Over the past two fiscal years, the separation between nominal and real sales has accelerated with elevated inflation levels.

Figure 32. Sales Tax Forecast (Nominal vs. Real, Indexed to FY 2001)



Note: Dotted line indicates forecast. Shaded areas indicate recession.
Source: Colorado Department of Revenue, Bureau of Labor Statistics, and OSPB March 2023 Forecast

Vendor Fees

In accordance with *HB19-1245*, Affordable Housing Funding from Vendor Fee Changes, beginning in FY 2021-22, the total net revenue gain from changes related to vendor fees was deposited into the Housing Development Grant Cash Fund for affordable housing. The fiscal note for the bill estimated new net revenue of $49.4 million in FY 2021-22, but due to subsequent legislation (*HB21-1312*) and stronger than expected sales tax collections – which is positively correlated with vendor fee collections – $66.1 million in revenue related to these changes was collected and deposited into the Housing Development Grant Cash Fund that fiscal year. Vendor fee revenue dedicated to affordable housing is forecast at $72.8 million in FY 2022-23 ($0.7 million upward revision from December), $73.0 million in FY 2023-24 ($0.2 million downward revision), and $76.7 million in FY 2024-25 (no revision).

The vendor fee is an amount that a retailer is permitted to retain for its expenses incurred in collecting and remitting the state sales tax. Under current law, a retailer with monthly taxable sales of $1.0 million or less is able to retain a vendor fee of four percent, subject to a $1,000 monthly limit. As provided for by *SB22-006*, Sales Tax Assistance for Small Business, beginning January 1, 2023, a retailer with less than $100,000 in monthly taxable sales is able to retain a vendor fee of 5.3 percent for calendar year 2023 only, subject to the $1,000 monthly limit.

Use Tax

Use tax revenue increased 8.6 percent to $232.6 million in FY 2021-22 and is forecast to increase by an additional 10.0 percent in FY 2022-23 to $255.9 million. Reflecting similar expectations from December, this is a small upward revision of $0.4 million. In FY 2023-24, revenue is expected to fall by 3.7 percent to $246.3 million and is revised down by $3.9 million from December. Elevated energy prices in FY 2022-23 have led to higher levels of capital investment in the oil and gas industry, which has contributed to higher use tax growth relative to sales tax growth to some extent during FY 2022-23, but an expected overall consumer activity slowdown is forecast to create downward pressure on revenue in FY 2023-24, while capital investments in the energy and housing industries are expected to retreat, as well. This is forecast to cause a steeper reduction in use tax revenue compared to sales tax revenue as use tax revenue is weighted more heavily to fluctuations in the housing and energy market compared to sales tax. Use tax growth is expected to rebound in FY 2024-25 with collections forecast to grow 7.1 percent to $263.9 million. These projections continue to assume that the trade-off between sales and use tax revenue as a result of *HB19-1240*, which codified the state's sales tax rules in response to the *South Dakota v. Wayfair* ruling, has largely leveled off to a new equilibrium relationship between sales and use tax collections.

Marijuana Sales

The 15 percent special sales tax on marijuana retail sales increased by 17.4 percent to $288.2 million in FY 2020-21 before falling 10.2 percent to $258.7 million in FY 2021-22. Revenue is expected to decline by 12.4 percent in FY 2022-23 before rebounding in FY 2023-24 and resuming slower growth FY 2024-25. Further analysis of marijuana tax collections can be found in the Revenue Outlook – Cash Funds section of this report.

Proposition EE and Other Excise Taxes

Proposition EE, approved in 2020 and effective in 2021, imposes additional taxes on cigarettes and tobacco products and charges a new tax on other nicotine products such as e-cigarettes. Through FY 2022-23, revenue from the Proposition EE-imposed taxes is largely transferred to the State Education Fund. In FY 2023-24 and onward, revenue will be transferred almost entirely into the Preschool Programs Cash Fund aside from two small transfers, $11.0 million and $4.6 million, to the Tobacco Tax Cash Fund and General Fund, respectively. In total, these taxes brought in $49.0 million in FY 2020-21 and $210.9 million in FY 2021-22, which was the first full year of implementation. The amounts are expected to fall to $208.1 million in FY 2022-23, grow slightly to $210.1 million in FY 2023-24, and increase to $254.6 million in FY 2024-25 as a result of additional tax increases for tobacco, cigarettes, and nicotine. Figure 33 summarizes the new taxes levied on these products through FY 2024-25. Taxes on all three types of products will also increase once more in FY 2027-28.

Figure 33. Proposition EE Tax Rates

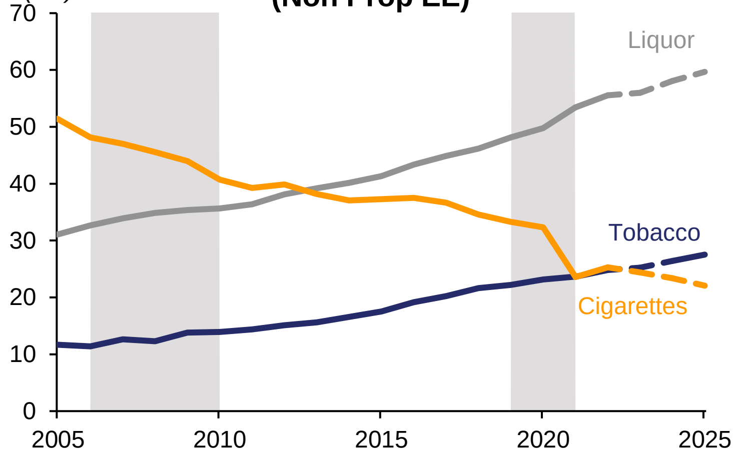
Cigarettes	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	
Original Tax	$0.20	$0.20	$0.20	$0.20	$0.20	
Amendment 35	$0.64	$0.64	$0.64	$0.64	$0.64	
Proposition EE	$1.10	$1.10	$1.10	$1.10	$1.40	
Total Cigarette Taxes	**$1.94**	**$1.94**	**$1.94**	**$1.94**	**$2.24**	
Tobacco	**FY 2020-21**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	
Original Tax	20%	20%	20%	20%	20%	
Amendment 35	20%	20%	20%	20%	20%	
Proposition EE	10%	10%	10%	10%	16%	
Total Tobacco Taxes	**50%**	**50%**	**50%**	**50%**	**56%**	
Nicotine	**2021**	**2022**	**2023**	**2024 (Jan-Jun)**	**2024 (Jul-Dec)**	**2025**
Proposition EE	30%	35%	50%	50%	56%	56%
Total Nicotine Taxes	**30%**	**35%**	**50%**	**50%**	**56%**	**56%**

As noted above, the bulk of these taxes are for the purposes of the implementation of universal preschool and will be deposited primarily in the preschool programs cash fund starting in FY 2023-24. The specific distributions are summarized below.

Figure 34. Proposition EE Distribution Amounts

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Total	**$208.0**	**$208.1**	**$210.1**	**$254.6**
State Education Fund	$149.5	$144.5	$0.0	$0.0
Rural Schools Cash Fund	$30.0	$35.0	$0.0	$0.0
Housing Development Grant Fund	$11.2	$11.2	$0.0	$0.0
Tobacco Tax Cash Fund	$11.0	$11.0	$11.0	$11.0
General Fund	$4.6	$4.6	$4.6	$4.6
Eviction Legal Defense Fund	$0.5	$0.5	$0.0	$0.0
Tobacco Education Programs Fund	$0.0	$0.0	$0.0	$20.0
Preschool Programs Cash Fund	$1.4	$1.4	$195.3	$219.1

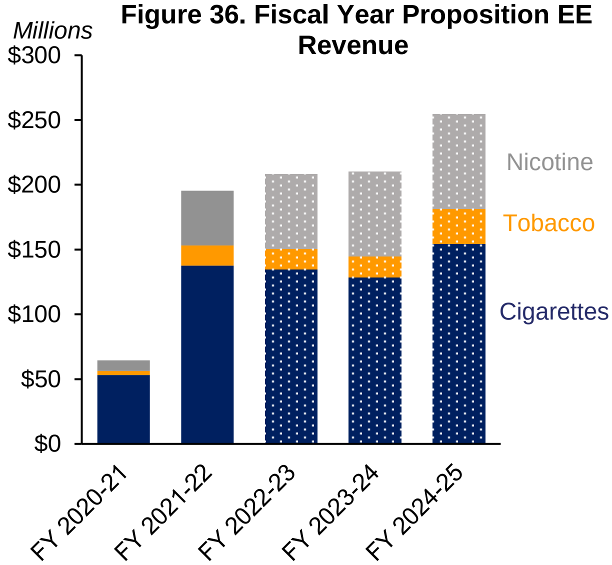
Figure 35. Other Excise Taxes (Non Prop EE)



Note dashed line indicate forecast period.
Sources: Department of Revenue; OSPB Forecast

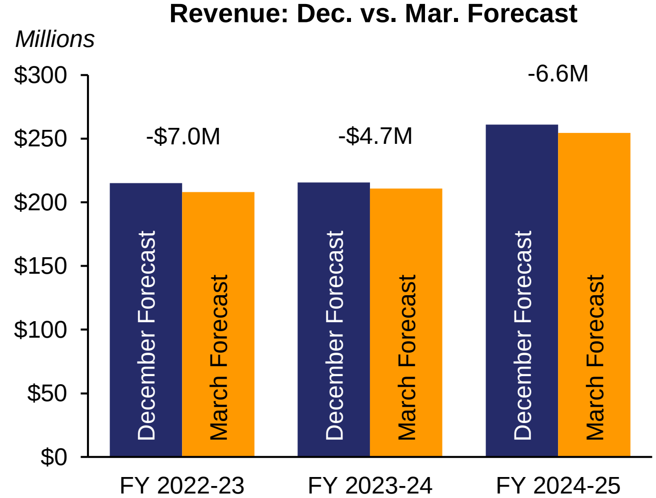
The bulk of Proposition EE revenue (73.6 percent in FY 2021-22) currently comes from taxes on cigarettes, for which the long-term consumption trends are negative. Throughout the forecast period and going forward, the percentage of revenue coming from cigarette taxes is forecast to decrease to 63 percent by FY 2024-25, and the percentage stemming from nicotine is projected to increase considerably, with nicotine consumption increasing over time. These trends are already impacting forecast expectations compared to the December forecast. Cigarette revenue has come in lower than expected for FY 2022-23 year-to-date, so the forecast is revised down by $7.0 million in FY 2022-23, down $4.7 million in FY 2023-24, and down $6.6 million in FY 2024-25. Even though nicotine revenue has been revised down slightly for FY 2022-23, nicotine out-year forecasts continue to remain strong.

Figure 36. Fiscal Year Proposition EE Revenue



Note: Dotted region indicates forecast period.
Source: Colorado Department of Revenue; OSPB Forecast

Figure 37. Forecasted Fiscal Year Prop EE Revenue: Dec. vs. Mar. Forecast



Source: Colorado Department of Revenue; OSPB Forecast

In addition to Proposition EE, which is largely not subject to TABOR and is transferred to other funds, the state collects other excise taxes that are credited directly to the General Fund. These other excise taxes include the initial statutory taxes on cigarettes and tobacco, as well as revenue from liquor taxes. Liquor and tobacco taxes, which are each charged as a percentage rate, have increased slowly over time while cigarette taxes, which are charged at a flat per pack amount, have fallen consistently.

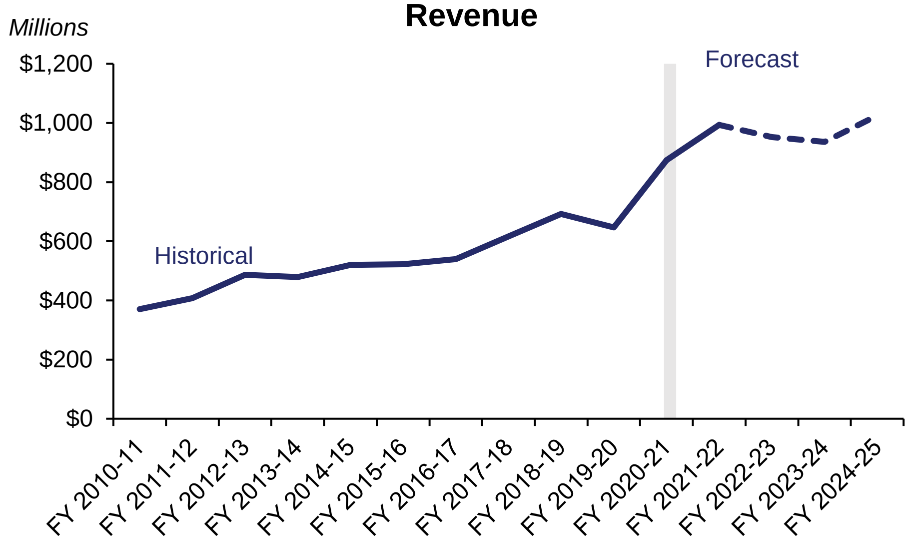
Other General Fund Revenue

Other General Fund revenue includes insurance premium tax revenue, interest and investment income, and court receipts. Other General Fund revenue increased by 15.2 percent to $507.8 million in FY 2021-22 due to increases to insurance premium tax revenue and interest income. This strong revenue trend is expected to continue in FY 2022-23 driven by further consistent growth in insurance premium tax revenue and record growth in interest income. Other General Fund Revenue is expected to increase by 28.3% in FY 2022-23 to $651.7 million and decrease by 2.1% in FY 2023-24 to $638.1 million. For the second consecutive forecast, both fiscal year estimates have been revised up. These upward revisions are driven largely by interest income, with returns significantly higher than historical levels with elevated interest rates. On average, General Fund investment income earned interest at 1.13 percent in FY 2021-22. Comparatively, General Fund investment income has earned an average interest of 2.45 percent over the first seven months of FY 2022-23. With the state of the current economy and the Federal Reserve monetary policy stance going forward, it is likely interest rates will remain high well into FY 2023-24, causing further upward pressure on revenue in FY 2023-24. Additionally, during the first half of FY 2022-23, insurance revenue grew just above 20 percent from the prior year and is expected to continue at that pace during the rest of the fiscal year. This large growth is due to legislation in *HB21-1312*, which reduced the size of the annuities exemption and the regional home office rate reduction. After an expected 20.5 percent growth in FY 2022-23, insurance revenue growth is expected to normalize to 4.0 percent and 5.0 percent in the out-years.

State Education Fund

Revenue to the State Education Fund (SEF) from income taxes reached $993.5 million in FY 2021-22, reflecting 13.6 percent growth compared to FY 2020-21. The strong growth was due to a robust economic recovery in FY 2021-22, which significantly increased revenue, but also due to the correction of a technical error, which delayed a transfer of $75.6 million into the SEF from FY 2020-21 to FY 2021-22. In FY 2022-23, a 4.2 percent decrease in revenue to $951.7 million is expected, which is due in part to base effects from the delayed transfer correction and in part to moderating economic activity. While revenue is expected to fall in FY 2022-23, this is an upward revision from the December forecast of $42.4 million as year-to-date income tax revenue has surprised to the upside and strength in the economy is expected to last longer than previously forecast. In FY 2023-24, revenue is expected to fall again by 1.6 percent to $936.0 million as falling corporate income is expected to be the main drag on revenue. In FY 2024-25, growth is forecast at 9.5 percent, increasing revenue to $1.03 billion.

Figure 38. State Education Fund Income Tax Revenue



Source: Colorado Department of Revenue, OSPB Forecast

The Colorado Constitution requires that a third of a percent of Colorado taxable income be credited to the State Education Fund. As the State Education Fund revenue is derived from taxable income, it generally follows the trends in individual income and corporate income tax revenue collections. However, the State Education Fund's current deviation from the trend in income tax revenue is attributed to the delayed transfers from revenue collections mentioned above driving the divergence in the relationship.

Revenue Outlook – Cash Funds

Cash funds are taxes, fees, fines, and interest collected by various state programs to fund services and operations. These revenue sources are designated by statute for a particular program and as such are distinct from General Fund revenue, which is available for general purpose expenditures. The following section highlights those cash fund revenues that are subject to TABOR or that have significant fiscal implications.

Cash Fund Revenue Subject to TABOR

Total cash fund revenue subject to TABOR was $2.67 billion in FY 2021-22, an increase of 19.0 percent from the prior fiscal year. Approximately 72 percent of the overall increase was driven by severance collections increasing $310.3 million year-over-year. In FY 2022-23, cash fund revenue is projected to increase by 0.9 percent to $2.69 billion, followed by a 0.4 percent decrease in FY 2023-24, and 5.8 percent growth in FY 2024-25.

As compared to the December forecast, revenue came in higher than estimated, largely the result of transportation and severance tax revenue while most other cash fund streams maintained close to previous expectations. For FY 2022-23, revenue is forecast higher than the December forecast by $78.1 million, or 3.0 percent, with an upward revision to transportation and severance tax revenue driving most of the increase with a decrease in miscellaneous cash funds offsetting some of those gains. Forecast revenue for FY 2023-24 is revised up by $49.4 million, 1.8 percent, because of increased miscellaneous cash funds and transportation revenue predicated on a strong rebound from *SB21-260* fee roll offs. Expectations were also revised upward for FY 2024-25 by $82.1 million or 3.0 percent from the prior forecast from significant gains in transportation, miscellaneous, and severance tax revenue.

Transportation

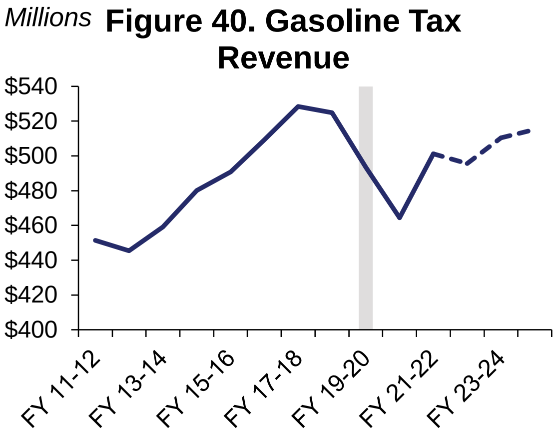
Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a handful of smaller cash funds. As time progresses past the initial shock of the COVID-19 pandemic, transportation revenue has returned to a relatively steady level. Transportation revenue has experienced some turbulence in the past few years, with many competing factors applying pressure to the revenue stream. Transportation revenue is expected to grow 2.2 percent in FY 2022-23, an upward revision from the December forecast, despite recent legislation limiting growth. Legislation includes Road Usage Fees being delayed and limiting revenue for motor fuel taxes and the Road Safety Surcharge. However, OSPB expects upward pressure from this legislation rolling off in the coming years, even as economic conditions are projected to worsen in FY 2023-24. Expectation for transportation revenue is steady growth in the out-years with 5.9 percent growth in FY 2023-24 and 5.5 percent growth in FY 2024-25.

Figure 39. Detailed Transportation Cash Fund Forecast

	Actual FY 21-22	Forecast FY 22-23	Forecast FY 23-24	Forecast FY 24-25
Highway Users Tax Fund (HUTF)				
Motor and Special Fuel Taxes	$633.3	$634.8	$644.2	$657.3
Percent Change	*1.4%*	*0.2%*	*1.5%*	*2.0%*
Road Usage Fees	$0.0	$15.4	$88.0	$119.6
Percent Change	*N/A*	*N/A*	*N/A*	*35.9%*
Total Registrations	**$387.8**	**$368.9**	**$369.1**	**$410.9**
Percent Change	***1.6%***	***-4.9%***	***0.0%***	***11.3%***
Registrations	$244.2	$232.0	$249.9	$256.0
Road Safety Surcharge	$110.4	$104.8	$89.0	$122.8
Late Registration Fees	$33.2	$32.2	$30.2	$32.1
Other HUTF	$57.3	$63.7	$72.2	$72.9
Percent Change	*-8.8%*	*11.1%*	*13.4%*	*0.9%*
Total HUTF	**$1,078.4**	**$1,082.8**	**$1,173.6**	**$1,260.8**
Percent Change	***0.9%***	***0.4%***	***8.4%***	***7.4%***
Non-HUTF				
State Highway Fund	$21.0	$29.9	$26.6	$18.8
Percent Change	*-29.9%*	*42.6%*	*-11.0%*	*-29.3%*
Other Transportation Funds	$140.0	$163.2	$151.3	$145.7
Percent Change	*38.2%*	*16.6%*	*-7.3%*	*-3.7%*
Total Transportation Revenue				
Total Transportation	**$1,239.5**	**$1,276.0**	**$1,351.5**	**$1,425.3**
Percent Change	***7.2%***	***2.9%***	***5.9%***	***5.5%***

The Highway Users Tax Fund is the largest transportation-related cash fund, with revenues primarily coming from motor fuel taxes and motor vehicle registrations. Motor fuel taxes make up over half of the HUTF and are comprised of both gas and diesel tax revenue. OSPB has made a revision upward for the HUTF for fiscal year 2022-23 and the out-years, with the largest revision upward in FY2022-23 of around $25 million, driven by an upward adjustment to the Road Safety Surcharge.

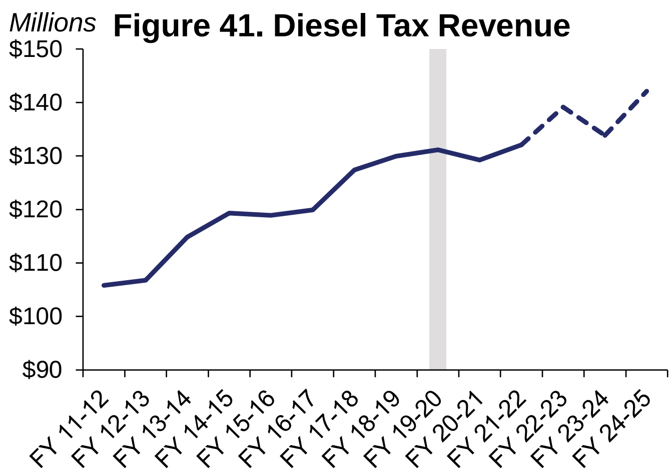
Gasoline prices have been very unstable over the past year, affected by inflation pushing prices to highs across the US and the Suncor shutdown affecting supply in Colorado. With the turbulent



Note: Dotted line indicates forecast; shading denotes recession.
Source: Colorado Department of Revenue

conditions for gasoline prices across the state, there have been some minor downstream effects for gasoline tax revenue. In both fiscal year 2021-22 and received revenues for the first two quarters of fiscal year 2022-23, revenue for gasoline taxes performed strongly despite elevated prices, reinforcing gasoline's inelastic demand. While OSPB forecasts a slight drop off in gasoline tax revenue in fiscal year 2022-23 from the previous year, this can be attributed to the effects of *SB21-260* and *HB22-1351* limiting the revenue for fuel taxes. As these impacts begin to roll off, OSPB expects continued strength and growth to levels previously seen in 2016 and 2017 with record high gasoline tax revenue and steady growth going forward.

Diesel tax revenue is expected to continue its strong trend of growth into fiscal year 2022-23. Elevated consumer spending has increased business operations and shipping and placed significant upward pressure on diesel tax revenue. OSPB has revised up the estimate for fiscal year 2022-23 by $6.4 million, 4.8 percent, based on strong performance for the first few months of received revenue for this fiscal year. However, with tougher economic times on the horizon and an expected extended period with elevated interest rates, business activity and consumer spending are likely to slow. There is an expectation for a drop off in diesel tax revenue in FY 2023-24 to $133.8 million. By historical standards, though, it will still be a strong year for diesel revenue, before ticking back up in FY25 to $142.1 million.



Note: Dotted line indicates forecast; shading denotes recession.
Source: Colorado Department of Revenue

Another notable decrease would be in the Total Registrations portion of the HUTF. OSPB forecasts a 4.9 percent decline from the previous year's revenue in Total Registrations. This is a revision upward from the previous December forecast driven by received revenue. There is downward pressure on new registrations with the high interest rates and lack of consumer interest in making large durable goods purchases, like cars, in the expected near future. Another substantial portion of Total Registrations is the Road Safety Surcharge. The Road Safety Surcharge has been limited by reductions laid out in *SB21-260* and *HB22-1351*. *HB22-1351* is going to expire halfway through FY 2023-24, which will have an upward pressure on the Road Safety Surcharge revenue that fiscal year.

Figure 42. HUTF Distributions

	Actual FY 21-22	Forecast FY 22-23	Forecast FY 23-24	Forecast FY 24-25
First Stream				
Off-the-Top Deductions	$165.8	$181.2	$191.3	$191.3
CDOT - State Highway Fund (65%)	$185.6	$193.5	$178.6	$190.9
Counties (26%)	$74.2	$77.4	$71.4	$76.4
Cities (9%)	$25.7	$26.8	$24.7	$26.4
Total First Stream	**$451.3**	**$478.9**	**$466.1**	**$485.1**
Second Stream				
CDOT - State Highway Fund (60%)	$376.3	$362.4	$424.5	$465.4
Counties (22%)	$138.0	$132.9	$155.7	$170.7
Cities (18%)	$112.9	$108.7	$127.4	$139.6
Total Second Stream	**$627.1**	**$603.9**	**$707.5**	**$775.7**
Total HUTF Distributions				
Total HUTF	**$1,078.4**	**$1,082.8**	**$1,173.6**	**$1,260.8**

Other transportation-related funds include the State Highway Fund (SHF) and other miscellaneous revenue, which make up a smaller portion of total revenue than the HUTF. Revenue to the SHF is made up of various smaller revenue streams including sales of state property and earned interest. Based on received revenue, OSPB forecasts the continuation of a stronger year for the SHF, then a stabilization for the outyears driven by special transport permits and other services returning to normal. The category of "other transportation funds" forecast has been realigned to include the entire DRIVES account, as *HB22-1339* wraps the revenue from the Licensing Services Cash Fund into the DRIVES account. As DRIVES pertains to transportation, it will now be counted within the transportation forecast, instead of the other miscellaneous cash fund revenue stream. Between the addition of DRIVES and strong aviation revenue, OSPB estimates strong other transportation funds revenue in FY 2022-23, with slight decreases in growth in FY 2023-24 and further in FY 2024-25, while remaining elevated compared to historical standards.

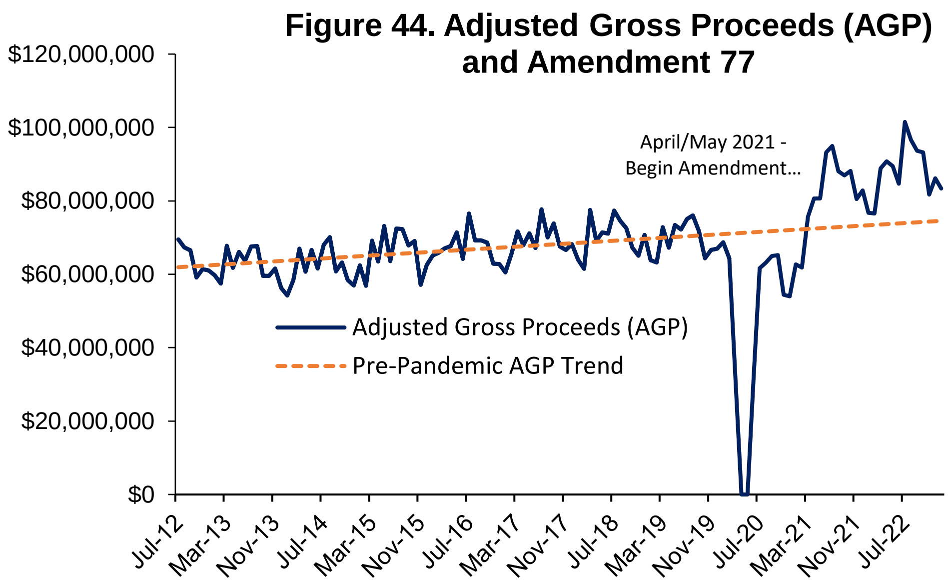
Limited Gaming

Continued strength in demand and the impacts of Amendment 77 on gaming revenue drove total gaming revenue up 34.5 percent to $163.7 million in FY 2021-22. Based on strong growth in FY 2021-22 and revenue received to date, OSPB has revised slightly down from previous expectations to 5.5 percent growth in FY 2022-23. Going forward, it is expected that out-year gaming revenue will grow at or around pre-Amendment 77 trend levels of 1.0 to 2.0 percent per year in FY 2023-24 and FY 2024-25. These numbers and the corresponding distributions are shown in Figure 43 below.

Figure 43. Limited Gaming Distributions

Distribution of Limited Gaming Revenues	Actual FY 21-22	Forecast FY 22-23	Forecast FY 23-24	Forecast FY 24-25
A. Total Limited Gaming Revenues (Includes Fees and Interest)	**$163.7**	**$172.6**	**$174.6**	**$178.3**
Annual Percent Change	34.5%	5.5%	1.1%	2.1%
B. Gaming Revenue Exempt from TABOR (Extended Limited)	**$48.3**	**$53.8**	**$54.4**	**$55.6**
Annual Percent Change	143.3%	11.5%	1.1%	2.1%
C. Gaming Revenue Subject to TABOR (Limited)	**$115.4**	**$118.8**	**$120.2**	**$122.2**
Annual Percent Change	13.3%	3.0%	1.1%	1.7%
D. Total Amount to Base Revenue Recipients	**$101.8**	**$108.6**	**$109.9**	**$112.5**
Amount to State Historical Society (28%)	$28.5	$30.4	$30.8	$31.5
History Colorado (80% of 28%)	$22.8	$24.3	$24.6	$25.2
Grants to Cities for Historical Preservation (20% of 28%)	$5.7	$6.1	$6.2	$6.3
Amount to Counties (12%)	$12.2	$13.0	$13.2	$13.5
Amount to Cities (10%)	$10.2	$10.9	$11.0	$11.2
Amount to Distribute to Remaining Programs (State Share) (50%)	$50.9	$54.3	$55.0	$56.2
Local Government Impact Fund	$6.3	$6.8	$6.8	$7.0
Colorado Tourism Promotion Fund	$15.0	$15.0	$15.0	$15.0
Creative Industries Cash Fund	$2.0	$2.0	$2.0	$2.0
Film, Television, and Media Operational Account	$0.5	$0.5	$0.5	$0.5
Bioscience Discovery Evaluation Fund	N/A	N/A	N/A	N/A
Advanced Industries Acceleration Fund	$5.5	$5.5	$5.5	$5.5
Innovative Higher Education Research Fund	$2.1	$2.1	$2.1	$2.1
Responsible Gaming Fund	$2.5	$2.5	$2.5	$2.5
State Historical Society Strategic Initiatives Fund	$3.0	$0.0	$0.0	$0.0
Transfer to the General Fund	$13.99	$19.95	$20.5	$21.6
E. Total Amount to Amendment 50 Revenue Recipients	**$46.8**	**$49.2**	**$49.8**	**$50.9**
Community Colleges, Mesa and Adams State (78%)	$36.5	$38.4	$38.8	$39.7
Counties (12%)	$5.6	$5.9	$6.0	$6.1
Cities (10%)	$4.7	$4.9	$5.0	$5.1

Strength in gaming revenue in FY 2022-23 and the out-years is a result of a continuation in elevated tax collections and adjusted gross proceeds (AGP) after the passage and implementation of Amendment 77. Specifically, AGP in FY 2021-22 was up 22.4 percent over FY 2018-19. These trends in AGP pre and post Amendment 77 are shown in Figure 44. Going forward, it is expected that AGP, and thus revenue, will continue to come in at a relatively consistent level now that the revenue impacts of Amendment 77 expanding gaming revenue have been fully incorporated.



Source: Colorado Department of Revenue; Division of Gaming.

Severance

As oil and gas prices rose to elevated levels over the first half of 2022, severance tax revenue in FY 2021-22 increased accordingly, reaching $325.0 million – the highest collection since FY 2008-09 and second highest on record. Through eight months of collections in FY 2022-23, revenue collections remain strong as oil and gas prices stayed elevated over the first half of the fiscal year, though they have retreated since the turn of the calendar year. While revenue collections year-to-date in FY 2022-23 are outpacing FY 2021-22, severance tax revenue in FY 2022-23 is forecast to drop by 8.5 percent to $297.4 million due to taxpayers making higher estimated payments – which will lead to a relatively lower April tax payment compared to last year – along with increased ad valorem credit claims, which are described in more detail below. Revenue in FY 2022-23 is upwardly revised from the December forecast by $26.2 million due to above-expectation revenue collections along with revised expectations around forecast April collections. With oil and gas prices projected to fall on average in FY 2023-24 compared to FY 2022-23, along with ad valorem credit claims causing a drag on revenue, collections are forecast to fall by 42.9 percent to $170.0 million. This is a $1.5 million upward revision from December due to upwardly revised interest collections of $3.8 million coupled with a $2.7 million downward revision to oil and gas revenue collections as more weakness in energy prices is expected. Revenue in FY 2024-25 is forecast to tick upward by 14.7 percent to $194.9 million, reflecting an upward revision of $28.8 million from December, as prices are expected to rebound from FY 2023-24 and ad valorem credit claims will cause less of a revenue drag.

Figure 45. Severance Tax Revenue

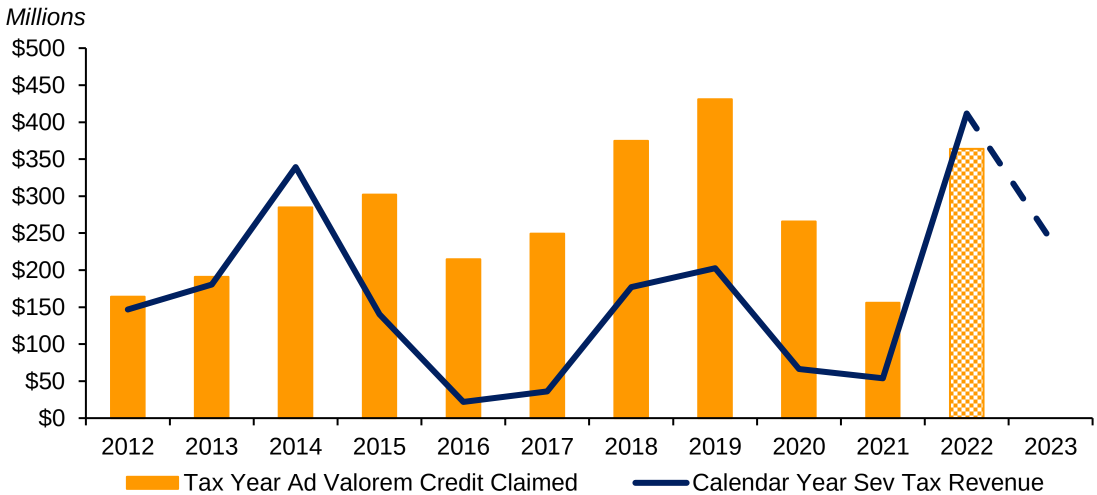
	Actual FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25
Oil & Gas	$310.4	$279.3	$150.8	$176.5
Coal	$3.2	$3.4	$3.2	$3.0
Moly & Metals	$2.7	$2.0	$2.4	$2.2
Interest	$8.6	$12.7	$13.5	$13.2
Total	**$325.0**	**$297.4**	**$170.0**	**$194.9**
Change	***2110.7%***	***-8.5%***	***-42.9%***	***14.7%***

Source: OSPB forecast

Through eight months of collections in FY 2022-23, $209.0 million in severance tax revenue has been recorded compared to $70.0 million collected over the same period in FY 2021-22. Although revenue levels year-to-date this fiscal year are significantly higher than last fiscal year, revenue is forecast to come in $27.6 million below last year's amount. One reason this is expected is related to estimated tax payments. Last fiscal year, taxpayers underestimated their tax liability due to unforeseen price increases both through market forces and Russia's invasion of Ukraine, which led to the highest severance tax monthly collection on record by nearly three orders of magnitude in April 2022 when taxes were due ($184.3 million). That monthly payment made up 57 percent of the total collections for the year. A payment of that magnitude is not expected in April this fiscal year as taxpayers are making much larger estimated payments, which should make month-to-month revenue more stable relative to FY 2021-22.

Another element that will likely lead to decreased revenue this fiscal year compared to last year is related to ad valorem credit claims. Due to the increased price levels over the past year, ad valorem credit claims, which are based on local property tax assessments of the value of oil and gas production, are expected to increase this fiscal year. Oil and gas taxpayers can use the credit to reduce their severance tax liability by up to 87.5 percent of the real property taxes they most recently paid to their local governments, school districts, and special districts. That said, there is a one-to-two-year lag between when the production is valued by county assessors and when the credit is applied against state severance taxes. Thus, increased ad valorem credit claims related to Tax Year 2022 are expected to drag on revenue in FY 2022-23 and FY 2023-24, though revenue is still expected to remain well above average in FY 2022-23 due to strong revenue collections year-to-date and above-average oil and gas prices during the first half of the fiscal year. In FY 2023-24, revenue is forecast to drop to just above the long-term average level with prices expected to see downward pressure and ad valorem credit claims projected to have a greater, overall net-negative effect on revenue. Figure 46 shows ad valorem credit claims over time along with severance tax revenue collections on a calendar year basis. The figure also includes a forecast of expected ad valorem credit claims in Tax Year 2022. With above-average credit claims expected to exceed $360 million in Tax Year 2022, that will negatively impact revenue collections over the course of calendar year 2023, which will place downward pressure on the final quarter of revenue collections in FY 2022-23 and throughout FY 2023-24.

Figure 46. Ad Valorem Credit Claims and Severance Tax Revenue



Note: Revenue is shown on a calendar year basis to align with the tax year. Ad valorem credit claims in one tax year impact revenue collections for the next two fiscal years due to timing. The dotted bar and line indicate the forecast.
Source: Department of Revenue; OSPB March 2023 Forecast.

Oil and gas severance tax revenue, which accounts for 97 to 98 percent of overall collections throughout the forecast period, is primarily dependent on production levels multiplied by price. According to the Energy Information Administration (EIA), West Texas Intermediate (WTI) oil prices are expected to average $77.10 in 2023 before falling to $71.57 in 2024. These downward expectations in oil prices play a significant role in severance tax revenue forecasting. More details on price and production can be found in the energy section of the economic outlook.

Taking macroeconomic outlook considerations along with energy market expectations and revenue collections into account, severance tax revenue should remain well above long-term average levels in FY 2022-23 before returning closer to average levels in FY 2023-24 and ticking back upward in FY 2024-25.

By statute, 50 percent of severance tax revenue is distributed to the Department of Natural Resources and 50 percent is allocated to the Department of Local Affairs. Of the amount distributed to the Department of Natural Resources, 50 percent is allocated toward water projects and loans while the other 50 percent is used for departmental programs, including natural resource and energy-related programs. For the Department of Local Affairs, 70 percent of their share is allocated toward local impact grants and loans for local governments socially or economically impacted by mineral extraction, while 30 percent is distributed to local governments based on measures related to oil, gas, and mining activities.

Other Cash Funds Subject to TABOR

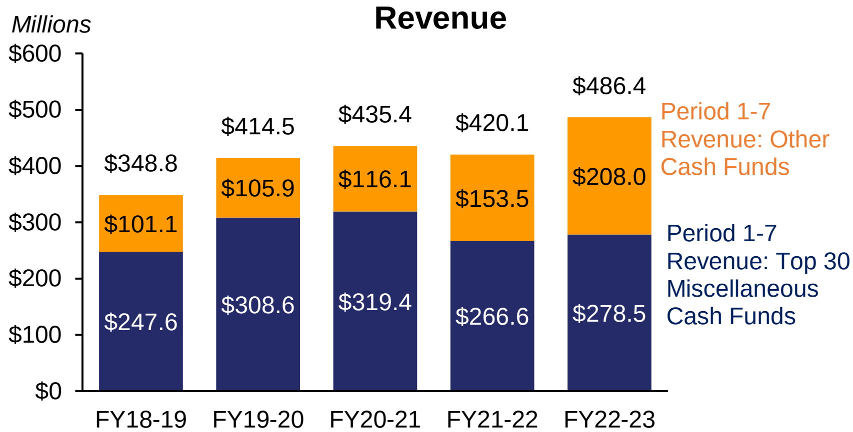
The State receives revenue from a variety of other, smaller cash funds. This includes non-exempt cash fund revenue to the Department of Regulatory Agencies (DORA), which is made up of revenue from professional and occupational licensing, the Public Utilities Commission, and other sources. DORA's revenue in FY 2021-22 came in at $92.3 million, but OSPB expects a decline in revenue for FY 2022-23 as a result of fee reductions for nurses and mental health professionals for two years passed in *HB22-1298* Fee Relief Nurses Nurse Aides and Technicians and *HB22-1299* License Registration Fee Relief for Mental Health Professionals. These two bills are expected to reduce revenue by $6.8 million in FY 2022-23 and $8.6 million in FY 2023-24. As a result, FY 2022-23 is expected to drop 8.6 percent to $84.3 million, remaining depressed at $85.9 million in FY 2023-24. In FY 2024-25, revenue is expected to bounce back to $100.1 million as these fee reductions roll off alongside an increase in revenue as a result of the passage of Proposition 122, Access to Natural Psychedelic Substances.

The category of "Other Miscellaneous Cash Funds" includes revenue from over 300 cash fund programs that collect revenue from fines, fees, and interest earnings. OSPB breaks down this forecast into the 30 funds that tend to have the largest revenue separately from the rest of the smaller cash funds. Historically, these 30 funds have made up for over 75 percent of the entire miscellaneous cash fund revenue. Forecast revenue for FY 2022-23 is estimated at $890.1 million; $15.1 million below the December forecast.

The primary reason for revisions to this forecast are caused by the transfer of the Colorado DRIVES fund out of OSPB's Miscellaneous Cash Funds forecast and into OSPB's Transportation forecast. The revenue credited to the Colorado DRIVES fund was changed by *HB22-1339*, and the Colorado DRIVES fund began collecting revenue at the start of FY 2022-23 that previously went to the Licensing Services Cash Fund and other special purpose accounts. The Licensing Services Cash Fund averaged $40 million in revenue in FY 2020-21 and FY 2021-22 and was a part of OSPB's Transportation Forecast. By moving the Colorado DRIVES fund out of the Miscellaneous Cash Funds forecast and into the Transportation forecast, the Miscellaneous Cash Fund forecast for FY 2021-22 has been revised down by $13.6 million, the amount the Colorado DRIVES fund collected in FY 2021-22.

Despite the forecast being revised down by $15.1 from our December forecast, when comparing the March forecast to December's without the Colorado DRIVES fund, the forecast is revised upwards. What would have been a revision upwards can be attributed to increased revenue of cash funds outside of our typical top 30 growing due to higher-than-anticipated retail sales growth and recent legislative changes. For revenue collected through January of the fiscal year, FY 2022-2023 has collected 15.8 percent more revenue that FY 2021-22. OSPB noted in the December forecast that there was an expectation that economically tied cash funds would slow down in revenue collections as the economy slowed. Despite rate hikes from the Federal Reserve, retail sales have not yet been discouraged in Colorado. Additionally, funds that were already experiencing strong growth in the December forecast have maintained their growth into this forecast. Some of the strongest growers in the Miscellaneous Cash Funds portfolio have been funds that are growing due to recent legislative changes. An example of this is the Housing Development Grant Fund, which has had its revenue streams modified in the last two years and has experienced significant growth because of these changes. For the Housing Development Grant Fund, beginning in FY 2021-22 the fund began receiving all revenue from the change to vendor fees as specified in *HB19-1245* and thus has had very large increases to its revenue. Only a handful of funds have had substantial negative growth compared to last year including: Information Technology Revolving Fund, Department of State Cash Fund, and Property Fund. In total last year, these funds had collected $32.8 million with the majority coming from the Information Technology Revolving Fund and Department of State Cash Fund. The Information Technology Revolving Fund fluctuates year to year and normally has large lump payments made towards it. The Department of State Cash Fund and Property Fund are largely driven by fees tied to economic conditions, and in addition, a reduction in business filing fees provided for through *HB22-1001* is causing reduced revenue in FY 2022-23. In summary, funds tied to economic conditions have grown more than expected, and funds that were already strong performers have continued their growth.

Figure 47. Miscellaneous Cash Funds Revenue



Source: Colorado Department of Revenue

Out-year forecasts are being revised up for Miscellaneous Cash Funds and are mostly being driven by changes to the current fiscal-year forecast. In FY 2023-24 revenue is revised up $21.1 million to $931.5 million. In FY 2024-25, revenue is also revised up by $27.3 million to $974.4 million. In FY 2024-25, miscellaneous cash funds are expected to grow 4.6 percent as economic conditions return to a more favorable state.

TABOR Exempt Funds with Significant Fiscal Implications

Outside of the cash funds subject to TABOR discussed above, OSPB also forecasts marijuana, federal mineral lease (FML), and sports betting revenues because of the significant budgetary implications of these revenues. In particular, these revenues impact the General Fund, Marijuana Tax Cash Fund, distributions to local governments, BEST funding for school capital construction, the Public School Fund, and the Water Plan Implementation Cash Fund, each of which is shown in more detail below.

Marijuana

Marijuana revenue collections have continued to come in well below the levels seen over the course of FY 2020-21 and FY 2021-22 as record low prices have persisted stemming from oversupply in 2020 and 2021 and slowing growth in the quantity of marijuana sold. While it is still expected that these prices will eventually increase back to higher levels, these prices increases will be slower and smaller in magnitude than previously anticipated. Total marijuana revenue (driven largely by the retail special sales tax and the excise tax charged on wholesale marijuana) is thus expected to decline by 19.5 percent in FY 2022-23, before growing by 15.9 percent in FY 2023-24, followed by slow growth from more normal levels in FY 2024-25. Figure 48 shows expected revenue for each stream under these revised assumptions.

Figure 48. Tax Revenue from the Marijuana Industry

	Actual FY 21-22	Forecast FY 22-23	Forecast FY 23-24	Forecast FY 24-25
Proposition AA Taxes (Not Subject to TABOR)				
Retail Marijuana 15% Special Sales Tax	$258.7	$226.8	$257.2	$262.3
Retail Marijuana 15% Excise Tax	$97.3	$61.6	$77.4	$80.5
Total Proposition AA Taxes	**$356.1**	**$288.3**	**$334.6**	**$342.9**
2.9% Sales Tax & Interest (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	$9.2	$6.2	$7.0	$6.5
Retail Marijuana 2.9% State Sales Tax	$2.3	$1.3	$1.3	$1.3
Interest Earnings	$0.4	$0.4	$0.4	$0.0
Total 2.9% Sales Taxes & Interest	**$11.9**	**$7.9**	**$8.8**	**$7.7**
Total Marijuana Taxes	**$368.0**	**$296.2**	**$343.4**	**$350.6**

Marijuana revenue goes to a number of different sources once collected, the largest being the Marijuana Tax Cash Fund from the retail special sales tax and BEST School Capital Construction from the excise tax on wholesale purchases. Allocations to each of these funds are shown in

Figure 49 below, in addition to the revisions downward from the previous forecast shown in Figure 50.

Figure 49. Tax Revenue from the Marijuana Industry

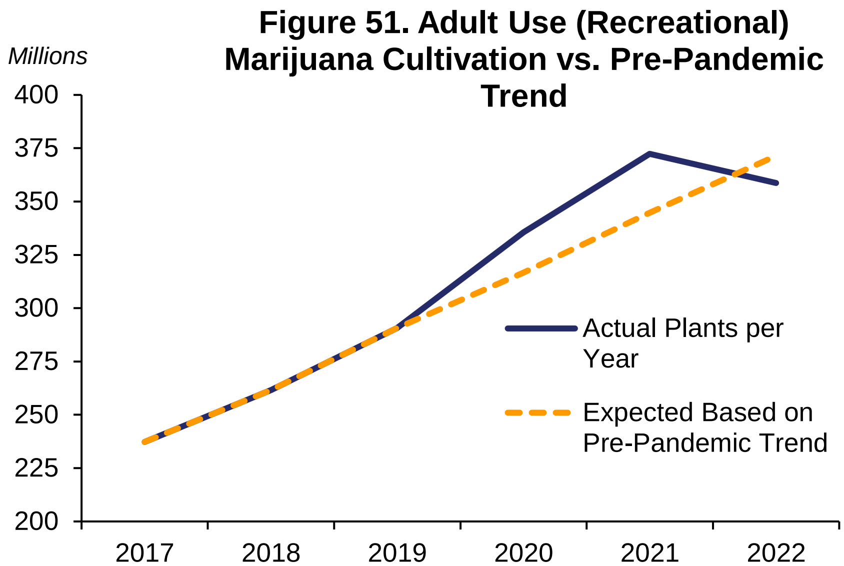
	Total Marijuana Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Fund	Marijuana Tax Cash Fund
FY 2021-22 Actual	$368.0	$25.9	$36.2	$97.3	$29.3	$179.2
FY 2022-23 Projected	$296.2	$22.7	$31.8	$61.6	$25.7	$154.5
FY 2023-24 Projected	$343.4	$25.7	$36.0	$77.4	$29.1	$175.1
FY 2024-25 Projected	$351.0	$26.2	$36.7	$80.5	$29.7	$177.8

Figure 50. Change from December Forecast

	Total Marijuana Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Fund	Marijuana Tax Cash Fund Revenue
FY 2022-23 Projected	-$20.7	-$1.9	-$2.7	-$0.6	-$2.2	-$13.3
FY 2023-24 Projected	-$17.7	-$0.9	-$1.2	-$8.5	-$1.0	-$6.1
FY 2024-25 Projected	-$18.4	-$0.9	-$1.3	-$8.8	-$1.0	-$6.4

Marijuana taxes for both the 15 percent special sales tax charged at the point of sale and the 15 percent excise tax on wholesale purchases are directly linked to the price of marijuana. The special sales tax is charged on the final purchase price paid by the consumer (the "retail price" multiplied by volume sold) and the excise tax is calculated by multiplying the average market rate (AMR) by the quantity sold at the wholesale level. Both the retail prices and the wholesale market rates have dropped to historical lows for longer than anticipated. The wholesale market rate for flower, calculated each quarter by the Department of Revenue, is down nearly 48 percent compared to fiscal year 2021-22 through December and retail price for flower is also down, 24 percent below FY 2021-22 levels through September. The retail price, which drives special sales tax collections and thus the majority of Marijuana Tax Cash Fund revenue, tends to be much less volatile; however, the extent of oversupply and resilience of low wholesale prices have driven the retail prices down as well.

As shown below in Figure 51, pre-pandemic trends in Colorado marijuana cultivation for recreational were on consistent linear trajectory from 2017 through 2019. However, temporary spikes demand in early 2020 and through 2021 drove producers into the market and prompted an outsized increase in production. Actual plants cultivated each year (shown by the blue line) thus significantly outpaced trend levels of production while trends in quantity of marijuana consumed quickly returned closer to trend levels after the momentary bump at the onset of the pandemic. The resulting oversupply has continued to permeate the market via reduced price levels for longer than originally anticipated, but these effects are expected to alleviate over the course of the forecast period.



Federal Mineral Lease

Federal Mineral Lease (FML) revenue increased by 52.5 percent to $125.1 million in FY 2021-22 and is forecast to increase by an additional 15.1 percent in FY 2022-23 to $144.0 million due to elevated oil and gas prices throughout the first half of the fiscal year driving higher revenue collections. This is an upward revision of $1.6 million from the December forecast predicated upon above-expectation FML revenue collections in the second quarter of the fiscal year. Oil and gas price expectations for FY 2022-23 are revised downward from the December forecast, which will lead to relatively weaker revenue collections over the second half of the fiscal year.

FML revenue collections are expected to retreat considerably over the second half of FY 2022-23 compared to the first half of the year, which recorded total collections of $95.6 million. Natural gas prices have fallen sharply over the first two months of 2023 and are expected to remain around those levels for the remainder of the fiscal year, which will lead to reduced revenue levels relative to the first two quarters of the fiscal year. With downwardly revised oil and gas price expectations, FY 2023-24 revenue is expected to drop by 36.4 percent to $91.6 million before prices rebound to some extent in FY 2024-25 when revenue is forecast to increase by 5.4 percent to $96.6 million. Revenue derived from natural gas production on federal leases accounts for roughly 50 percent of total FML revenue, resulting in natural gas price fluctuations driving FML revenue collections much more than severance tax revenue, which is more reliant on oil prices. Price assumptions are discussed in more detail in the energy section of the economic outlook. Detailed FML revenue forecast expectations can be found in Figure 52.

Figure 52. FML Forecast Distribution Table	Actual FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25
Total FML Revenue	**$125.1**	**$144.0**	**$91.6**	**$96.6**
Change	52.5%	15.1%	-36.4%	5.4%
Bonus Payments (portion of FML revenue)	$0.8	$1.6	$1.2	$1.2
Local Government Perm Fund	$0.4	$0.8	$0.6	$0.6
Higher Ed FML Revenues Fund	$0.4	$0.8	$0.6	$0.6
Other (non-bonus) FML Revenue	$124.4	$142.4	$90.4	$95.4
State Public School Fund	$60.1	$68.8	$43.7	$46.1
Colorado Water Conservation Board	$12.4	$14.2	$9.0	$9.5
DOLA Grants	$24.9	$28.5	$18.1	$19.1
DOLA Direct Distribution	$24.9	$28.5	$18.1	$19.1
School Districts	$2.1	$2.4	$1.5	$1.6

Overall, there has been a long-term, downward oil and gas lease trend in the state as industry investment interest on federal land has waned. In federal FY 2021-22, the number of leases in Colorado declined from the prior fiscal year by 4.4 percent from 3,245 to 3,103. Over the past ten years, from federal FY 2012-13 to 2021-22, the number of leases declined annually by 4.9 percent on average dropping from 4,963 to 3,103. Leased acreage dropped by 42.5 percent over that same period. During the forecast period, the number of leases is expected to continue on a similar trajectory.

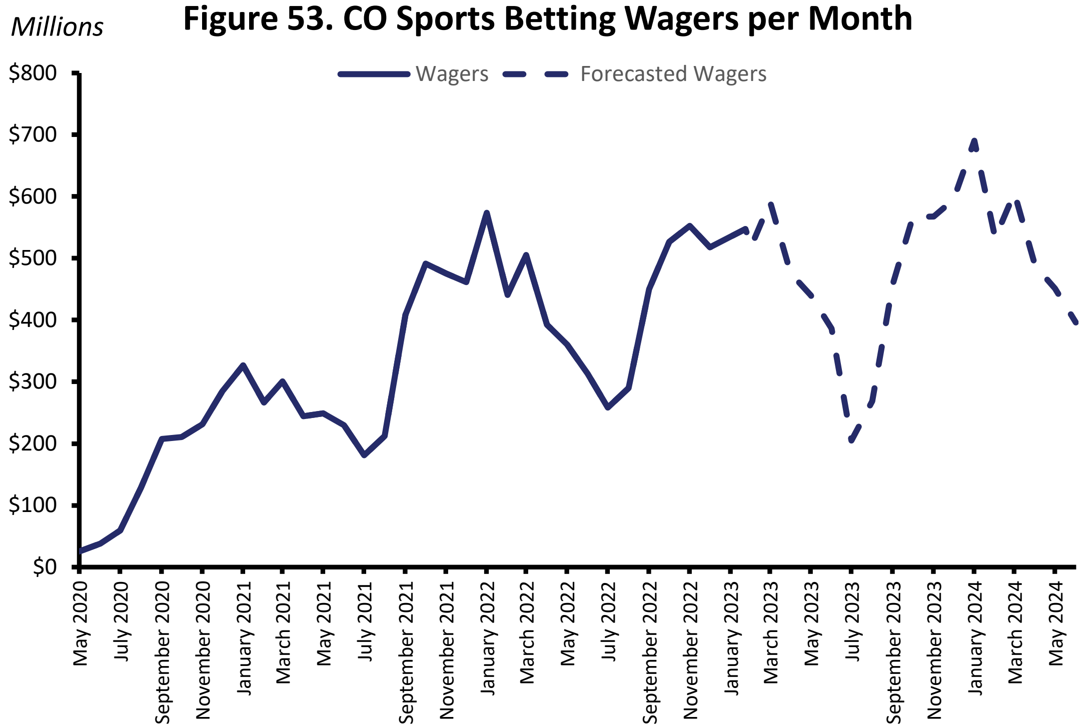
While FML revenue is exempt from TABOR, it is included here because a portion of the money is distributed to the Public School Fund as detailed in the table.

Sports Betting

Sports betting was legalized in November 2020 through the voter approval of Proposition DD. Since its passage in 2020, sports betting has been popular in Colorado. The taxation on sports betting is on the Gross Gaming Revenue (GGR), which is the number of wagers made by players and subtract the amount paid out to players by the sports betting operators. Colorado has an established tax rate for GGR of 10 percent, however, sports betting operators are allowed to deduct the amount of free bets offered to players and federal excise tax from what they are supposed to owe, so the effective tax rate ends up being less than 10 percent.

For the seven months of fiscal year 2022-23, reported wagers by players in Colorado has been 12 percent higher than fiscal year 2021-22 collections for the first seven months, approximately $340 million. OSPB forecasts over $5.5 billion in sports betting wagers for this fiscal year. Sport betting continues to demonstrate its popularity within Colorado, as the last 4 months of reported data have shown over $500 million in wagers each month, a feat only accomplished in two other months prior to October 2022 since its legalization. As displayed in Figure 53 below, the sports betting industry is seasonal, based on what sports are available at a given time. The wagers are led by popular anchors of the industry in Football and Basketball (professional and NCAA), as well as events that do not occur on an annual basis such as the Olympics and the World Cup, which were taken into consideration when forecasting elevated wagers as well.

Figure 53. CO Sports Betting Wagers per Month



Source: CO Department of Revenue: Division of Gaming & OSPB Forecast

Expectations are for sports betting to finish off a year of strong growth with an estimated 114 percent growth in sports betting tax revenue for a total of $26.6 million in FY 2022-23. As Colorado's sports betting matures into its fifth year, OSPB expects FY 2023-24 revenue to be slightly lower, forecasting a 7.2 percent growth for wagers and a 0.1 percent decrease for revenue. OSPB expects a flat growth in FY 2023-24 as the sector has matured to a point where there will likely be fewer new players and with tougher economic conditions, a small contingent of players might elect to save instead of betting further. OSPB anticipates a stronger rebound to steady growth with a 5.9 percent growth in sports betting tax revenue.

In December, OSPB forecasted strong growth in FY 2022-23 due to *HB22-1402* finally taking affect and limiting free bets offered by sports betting operators. However, from the actuals in recent months it seems operators have limited their number of free bets ahead of the January 2023 deadline. In the last three months of 2022, the average of free bets as a percentage of wagers was 2.5 percent which is one percentage point less than the historical average. This is likely in part due to the maturity of the market and less new entrants in terms of sports betting operators looking to offer free bets. *HB22-1402* will continue have a positive impact on effective tax rate in the long term, but less than originally believed for short term revenue projections. Revenue will continue to remain strong with elevated wagers from Colorado players.

Figure 54. Sports Betting Distribution Formula

Distribution Formula	FY 2021-2022	Forecast FY 2022-23	Forecast FY2023-24	Forecast FY 2024-25
Total Sports Betting Tax Revenue	$12.44	$26.64	$26.61	$28.19
Change	53.4%	114.1%	-0.1%	5.9%
Hold-Harmless Fund (6%)	$0.75	$1.60	$1.60	$1.69
Behavioral Health Administration	$0.13	$0.13	$0.13	$0.00
Water Plan Implementation Cash Fund	$11.36	$24.91	$24.89	$26.50

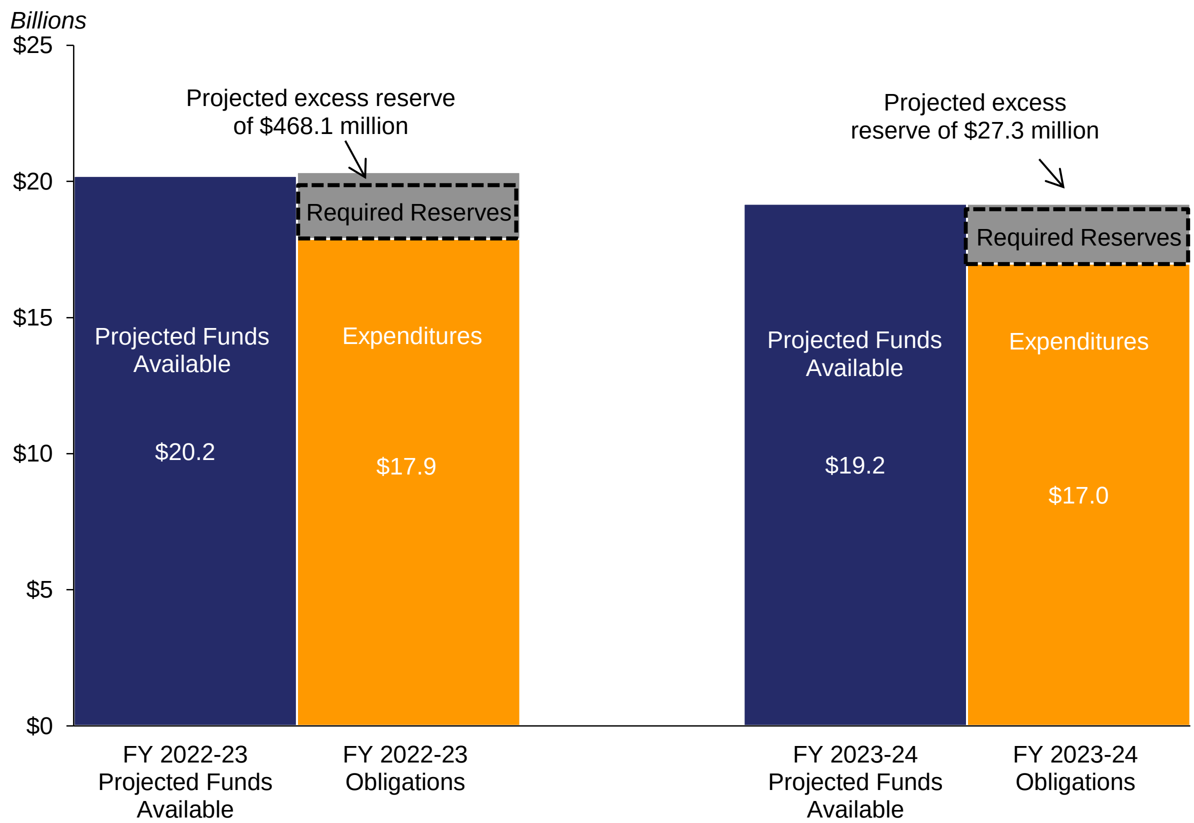
As shown in Figure 54 above, sports betting revenues are distributed by a formula. Six percent of the sports betting revenue goes to the 'Wagering Revenue Recipients Hold-Harmless Fund' to offset any demonstrated loss of revenue attributable to sports betting. Additionally, $130,000 goes to the Behavioral Health Administration in the Department of Human Services to operate a crisis hotline for gamblers and to assist the prevention, education, treatment, and workforce development by counselors certified in the treatment of gambling disorders and is distributed through fiscal year 2023-24 under current law. Last, the remaining funds (minus some administration costs) should be disbursed to the water plan implementation cash fund. Over 90 percent of sports betting revenues ends up going to the Water Plan Implementation Cash Fund.

Budget Outlook

General Fund

General Fund revenue increased 23.7 percent in FY 2021-22 to $17,697.9 million. In FY 2022-23, however, revenue is expected to decline by 4.1 percent and a further 1.6 percent in FY 2023-24 before rebounding by 8.0 percent in FY 2024-25. The General Fund forecast for FY 2022-23 is $128.1 million higher than estimated in December, as income revenue from estimated payments and cash with returns improve on a better-than-expected business environment as aggregate demand shows its resiliency despite increased refunds. The forecast in FY 2023-24 is revised up $201.7 million from December largely due to increased estimated payments from businesses as OSPB has revised its corporate profits revenue up.

Figure 55. General Fund Obligations, Funds Available, and Reserve Levels



The General Fund estimated ending balance is $1,589.7 million above the statutory reserve level of 13.4 percent of appropriations in FY 2021-22 and estimated to be $468.1 million and $27.3

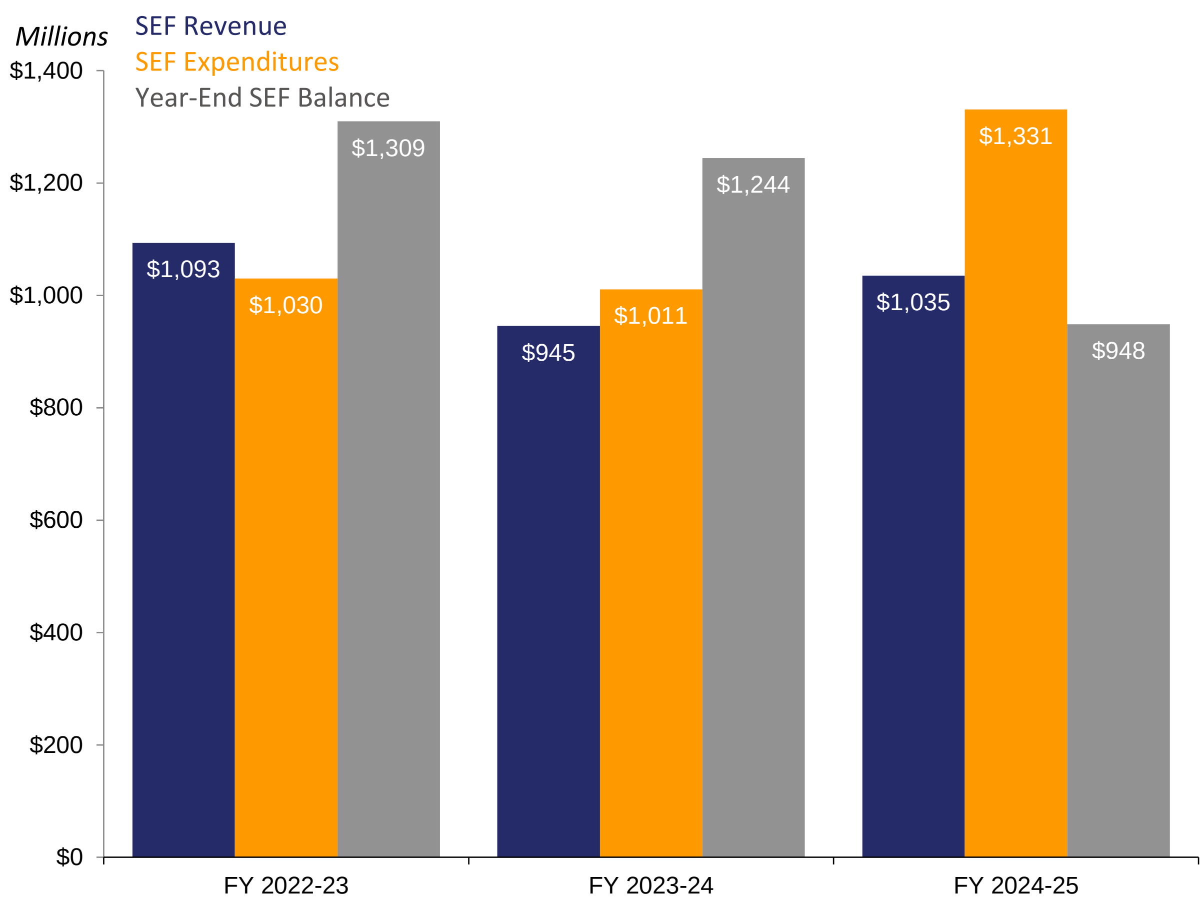
million above the statutory reserve level of 15.0 percent of appropriations in FY 2022-23 and FY 2023-24, respectively. Figure 55 summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2022-23 and FY 2023-24 under current law.

During the current forecast, there is $468.1 million in room above the statutory reserve limit for FY 2022-23, reflecting a $425.8 million increase above the $42.3 million in the December forecast. This is largely due to the supplemental budget package that reduced appropriations subject to the limit by $415.4 million. In FY 2023-24, the available room above the statutory reserve limit decreased $16.9 million to $27.3 million as a result of revisions to the cash fund forecast more than offsetting changes to appropriations and transfers as a result of the Governor's Budget through the January 17th requests. This also includes the February HCPF caseload adjustment as well as non-executive department requests. Assumptions made within this forecast include the supplemental package as signed by the Governor following passage by the Joint Budget Committee and General Assembly but no other legislative action this session. A full accounting of the session's expenditure impact will be included in the June forecast.

State Education Fund

The State Education Fund's (SEF) year-end balance was $955.9 million in FY 2021-22, including transfers. In FY 2022-23, the year-end balance is revised up $119.3 million above the December forecast to $1,309.5 million due to upward revisions of income tax revenue and approved mid-year supplemental adjustments that reduced SEF expenses by $76.4 million. These ending balances include the $290 million transfer to the SEF in FY 2022-23 as provided for in *HB22-1390* and amended by *SB22-202*. In FY 2023-24, the year-end balance is expected to tick down to $1244.2 million, which is a significant upward revision of $446.8 million from December due to above-expectation local share revenue increases. With the local share of total program school funding forecast to increase by over $600 million from FY 2022-23 to FY 2023-24, that reduces the state share that otherwise would have been required to fund total program costs, resulting in a greater-than-expected year-end fund balance. In FY 2024-25 the SEF fund balance is forecast to decrease to $948.4 million. While the SEF fund balance is forecast to remain above historical averages throughout the forecast period, economic uncertainty remains a downside risk that could negatively weigh on the fund's revenue streams. The assumptions built into the SEF forecast align with the Governor's January 17th budget submission, mid-year supplemental adjustments in *SB23-136* passed by the legislature and signed by the Governor, and forecast revenue revisions. Figure 56 summarizes total State Education Fund revenue, expenditures, and ending balances for FY 2022-23, FY 2023-24, and FY 2024-25.

Figure 56. SEF Revenue, Expenditures, and Ending Balances



Forecast Risks

This budget outlook is based on OSPB's economic forecast as detailed in Tables 1 and 2 of the Reference Tables at the end of this document. This economic forecast is subject to both upside and downside risks.

On the upside, labor demand may remain resilient in the face of slowing economic growth, keeping income withholdings elevated with it. Prolonged inflation, tightening financial conditions, and slowing aggregate demand in the outyears are the main downside risk, which may negatively impact consumer spending. Such risks would impact both sales revenue directly and estimated payments and cash with returns from income revenue indirectly. Economic conditions currently underlying this forecast are weighted to the downside.

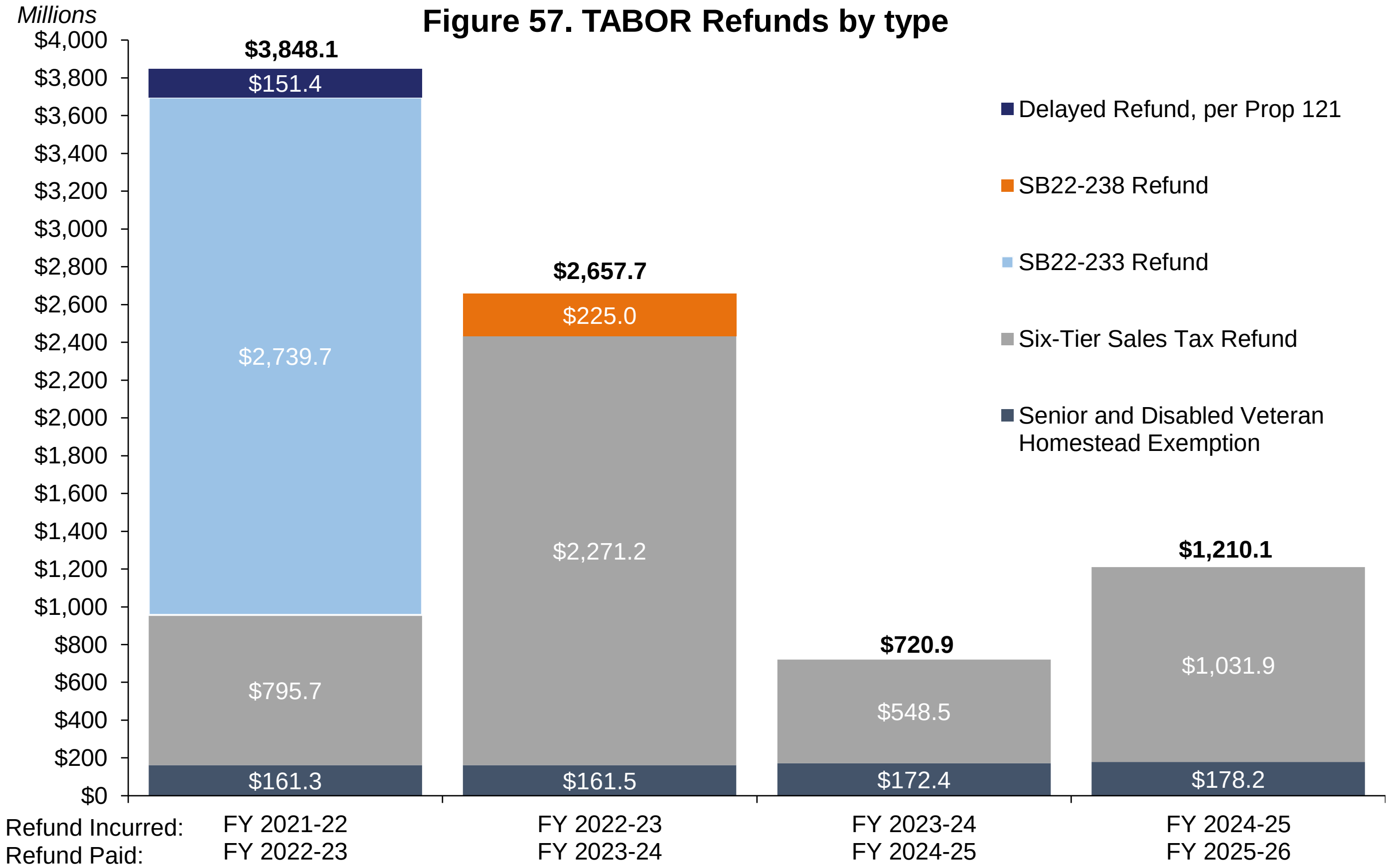
Supplemental Materials

An overview of General Fund and State Education Fund revenue, expenditures, and end-of-year reserves is provided in the Reference Tables at the end of this document. A more detailed discussion of the information presented in the Reference Tables can be found at the Office of State Planning and Budgeting's website: www.colorado.gov/governor/economics.

TABOR Outlook

Under Article X, Section 20 of the State Constitution, the Taxpayer's Bill of Rights (TABOR), revenue received from certain sources is subject to an annual limit determined by the prior year's limit after adjustments for inflation and population growth. Any TABOR revenue received above the cap is to be refunded to taxpayers in the subsequent fiscal year. Revenue subject to TABOR is expected to exceed the cap in each of the forecast years, but the highest refund amount is expected to have occurred in the most recently completed fiscal year. In that year, FY 2021-22, the TABOR surplus is estimated to be $3,848.1 million due primarily to upward revisions in individual income tax revenue. In FY 2022-23, revenue is projected to be $2,657.7 million above the cap as increased income revenue is above previous expectations. In FY 2023-24, the amount above the cap lowers to $720.9 million as current high inflation allows for further growth in the Referendum C limit. In FY 2024-25, the refunds are expected to rebound as the economy is expected to grow more quickly than the previous year, totaling $1,210.1 million.

Figure 57. TABOR Refunds by type



Current law specifies three mechanisms by which revenue in excess of the cap is to be refunded to taxpayers: the senior homestead and disabled veterans property tax exemptions, a temporary income tax rate reduction (from 4.55 percent to 4.50 percent), and a sales tax refund. However, the temporary income tax rate reduction no longer applies, as the permanent rate is reduced to 4.40 percent, per *Proposition 121*. The size of the refund determines which refund mechanisms are utilized. In addition to these mechanisms, *SB22-233*, *Tabor Refund Mechanism for FY 2021-22 Only,* refunded $750 checks to single filers and $1,500 to joint filers as a part of the Colorado Cash Back program. Finally, *SB22-238*, *2023 and 2024 Property Tax,* provides $225 million in refunds to backfill local governments' losses as a result of reduced property tax revenue.

An estimated $2,739.7 million of the $3,848.1 million refund obligation is paid out as a part of the Colorado Cash Back. Additionally, $161.3 million will be refunded via the senior homestead and disabled veterans property tax exemption expenditures and $795.7 million via a sales tax refund. Note that $151.4 million is currently listed as an under-refunded amount. This is because the TABOR certification occurred after the passage of *Proposition 121* which eliminated the need for this mechanism, meaning that the $151.4 million will not be sent out in the FY 2021-22 refunds repaid in FY 2022-23, but instead be applied to the following year's refund under current law. Therefore, the FY 2022-23 TABOR refund amount is estimated to be $2,657.7 million instead of the $2,506.3 million from the current fiscal year expected refunds as a result of high General Fund revenue alone. This follows the normal process that any difference between estimated refunds and actual refunds will be corrected in the next fiscal year in which a refund is owed, which is incurred in FY 2022-23, to be refunded in FY 2023-24, in this forecast.

Reference Tables

Table 1: Colorado Economic Variables – History and Forecast

		Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
	Income									
1	Personal Income (Billions) /A	$309.4	$331.9	$356.3	$378.1	$410.9	$435.2	$458.7	$477.0	$504.2
2	Change	6.8%	7.3%	7.4%	6.1%	8.7%	5.9%	5.4%	4.0%	5.7%
3	Wage and Salary Income (Billions)	$160.9	$170.8	$183.0	$187.6	$205.3	$226.2	$239.3	$247.7	$260.3
4	Change	6.5%	6.1%	7.1%	2.5%	9.4%	10.2%	5.8%	3.5%	5.1%
5	Per-Capita Income ($/person) /A	$55,257.0	$58,456.0	$62,135.4	$65,359.8	$70,673.9	$74,471.3	$77,792.7	$80,103.3	$83,830.9
6	Change	5.5%	5.8%	6.3%	5.2%	8.1%	5.4%	4.5%	3.0%	4.7%
	Population & Employment									
7	Population (Thousands)	5,599.6	5,676.9	5,734.9	5,784.2	5,814.7	5,843.8	5,896.4	5,955.3	6,014.9
8	Change	1.3%	1.4%	1.0%	0.9%	0.5%	0.5%	0.9%	1.0%	1.0%
9	Net Migration (Thousands)	42.4	51.8	34.2	28.6	15.1	15.0	35.0	40.0	40.0
10	Unemployment Rate	2.6%	3.0%	2.7%	6.8%	5.5%	3.0%	3.2%	3.7%	3.1%
11	Total Nonagricultural Employment (Thousands)	2,660.3	2,727.3	2,790.1	2,652.7	2,750.9	2,862.3	2,925.3	2,948.7	2,992.9
12	Change	2.3%	2.5%	2.3%	-4.9%	3.7%	4.0%	2.2%	0.8%	1.5%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	40.7	42.6	38.6	40.5	56.5	49.0	41.4	40.6	43.3
14	Change	4.4%	4.8%	-9.4%	4.8%	39.7%	-13.3%	-15.4%	-2.1%	6.7%
15	Nonresidential Construction Value (Millions) /B	$6,150.7	$8,151.0	$5,157.4	$5,585.6	$5,729.3	$6,605.2	$6,149.4	$5,774.3	$6,011.1
16	Change	2.7%	32.5%	-36.7%	8.3%	2.6%	15.3%	-6.9%	-6.1%	4.1%
	Price Variables									
17	Retail Trade (Billions) /C	$194.6	$206.1	$224.6	$228.8	$268.3	$299.9	$309.5	$319.4	$335.1
18	Change	5.4%	5.9%	9.0%	1.9%	17.3%	11.8%	3.2%	3.2%	4.9%
19	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100)	255.0	262.0	267.0	272.2	281.8	304.4	317.5	326.1	334.6
20	Change	3.4%	2.7%	1.9%	2.0%	3.5%	8.0%	4.3%	2.7%	2.6%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

/B Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/C Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods / books / music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants).

Table 2: National Economic Variables – History and Forecast

		Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$18,076.7	$18,609.1	$19,036.1	$18,509.1	$19,609.8	$20,015.4	$20,255.6	$20,458.1	$20,908.2
2	Change	2.2%	2.9%	2.3%	-2.8%	5.9%	2.1%	1.2%	1.0%	2.2%
3	Personal Income (Billions) /B	$16,839.8	$17,683.8	$18,587.0	$19,832.3	$21,294.8	$21,806.3	$22,613.1	$23,201.1	$24,268.3
4	Change	4.6%	5.0%	5.1%	6.7%	7.4%	2.4%	3.7%	2.6%	4.6%
5	Per-Capita Income ($/person) /B	$51,829	$54,061	$56,443	$59,826	$64,162	$65,428	$67,578	$69,059	$71,948
6	Change	3.9%	4.3%	4.4%	6.0%	7.2%	2.0%	3.3%	2.2%	4.2%
7	Wage and Salary Income (Billions)	$8,474.4	$8,900.0	$9,324.6	$9,457.4	$10,290.1	$11,224.3	$11,718.1	$12,011.1	$12,527.6
8	Change	4.7%	5.0%	4.8%	1.4%	8.8%	9.1%	4.4%	2.5%	4.3%
	Population & Employment									
9	Population (Millions)	324.9	327.1	329.3	331.5	331.9	333.3	334.6	336.0	337.3
10	Change	0.7%	0.7%	0.7%	0.7%	0.1%	0.4%	0.4%	0.4%	0.4%
11	Unemployment Rate	4.4%	3.9%	3.7%	8.1%	5.4%	3.7%	3.9%	4.3%	4.0%
12	Total Nonagricultural Employment (Millions)	146.6	148.9	150.9	142.2	146.3	152.6	155.6	156.4	158.4
13	Change	1.6%	1.6%	1.3%	-5.8%	2.9%	4.3%	2.0%	0.5%	1.3%
	Other Key Indicators									
14	Consumer Price Index (1982-84=100)	245.1	251.1	255.7	258.8	271.0	292.7	304.4	311.7	318.8
15	Change	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	4.0%	2.4%	2.3%
16	Corporate Profits (Billions)	$2,128.6	$2,311.9	$2,402.2	$2,260.1	$2,771.1	$2,942.9	$2,875.2	$2,924.1	$3,093.7
17	Change	4.5%	8.6%	3.9%	-5.9%	22.6%	6.2%	-2.3%	1.7%	5.8%
18	Housing Permits (Millions)	1.280	1.330	1.386	1.471	1.737	1.626	1.460	1.468	1.525
19	Change	6.3%	3.6%	4.3%	6.1%	18.1%	-6.4%	-10.2%	0.5%	3.9%
20	Retail Trade (Billions)	$5,732.9	$5,987.4	$6,175.0	$6,219.6	$7,441.4	$8,118.6	$8,329.6	$8,529.5	$8,896.3
21	Change	4.1%	4.4%	3.1%	0.7%	19.6%	9.1%	2.6%	2.4%	4.3%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts
/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

Table 3: General Fund Revenue Estimates by Tax Category /A

	Category	Actual FY 2021-22	Percent Change	Estimate FY 2022-23	Percent Change	Estimate FY 2023-24	Percent Change	Estimate FY 2024-25	Percent Change
	Excise Taxes								
1	Sales	$4,089.0	19.6%	$4,349.6	6.4%	$4,392.3	1.0%	$4,614.1	5.1%
2	Use	$232.6	8.6%	$255.9	10.0%	$246.3	-3.7%	$263.9	7.1%
3	Retail Marijuana Sales - Special Sales Tax	$258.7	-10.2%	$226.8	-12.4%	$257.2	13.4%	$262.3	2.0%
4	Cigarette	$26.0	-13.8%	$24.4	-6.1%	$23.4	-4.2%	$22.1	-5.6%
5	Tobacco Products	$26.6	-8.3%	$25.0	-6.3%	$27.0	8.1%	$28.2	4.5%
6	Liquor	$56.3	5.6%	$56.2	-0.2%	$58.3	3.6%	$59.9	2.7%
7	Total Proposition EE	$208.0	324.3%	$208.1	0.1%	$210.1	0.9%	$254.6	21.2%
8	**Total Excise**	**$4,897.2**	**20.0%**	**$5,145.9**	**5.1%**	**$5,214.5**	**1.3%**	**$5,505.0**	**5.6%**
	Income Taxes								
9	Net Individual Income	$11,717.8	23.6%	$10,787.7	-7.9%	$10,917.6	1.2%	$11,810.5	8.2%
10	Net Corporate Income	$1,568.6	32.5%	$1,483.1	-5.5%	$1,151.3	-22.4%	$1,406.4	22.2%
11	**Total Income**	**$13,286.4**	**24.6%**	**$12,270.8**	**-7.6%**	**$12,068.9**	**-1.6%**	**$13,216.9**	**9.5%**
12	*Less: State Education Fund Diversion*	*$993.5*	*13.6%*	*$951.7*	*-4.2%*	*$936.0*	*-1.6%*	*$1,025.1*	*9.5%*
13	*Less: Proposition 123 Diversion*	*$0.0*	*NA*	*$144.2*	*NA*	*$289.7*	*100.9%*	*$317.2*	*9.5%*
14	**Total Income to General Fund**	**$12,292.9**	**25.6%**	**$11,174.9**	**-9.1%**	**$10,843.2**	**-3.0%**	**$11,874.6**	**9.5%**
	Other Revenue								
15	Insurance	$390.2	16.0%	$470.0	20.5%	$489.1	4.0%	$513.7	5.0%
16	Interest Income	$69.2	38.3%	$118.1	70.6%	$105.2	-10.9%	$87.2	-17.1%
17	Pari-Mutuel	$0.4	34.8%	$0.4	-10.2%	$0.4	16.1%	$0.4	-13.9%
18	Court Receipts	$2.4	-31.4%	$3.2	35.2%	$3.5	7.9%	$3.2	-9.7%
19	Other Income	$45.6	-10.1%	$60.0	31.5%	$39.9	-33.5%	$41.1	3.0%
20	**Total Other**	**$507.8**	**15.2%**	**$651.7**	**28.3%**	**$638.1**	**-2.1%**	**$645.5**	**1.2%**
21	**GROSS GENERAL FUND**	**$17,697.9**	**23.7%**	**$16,972.6**	**-4.1%**	**$16,695.8**	**-1.6%**	**$18,025.2**	**8.0%**

/A Dollars in millions.

Table 4: General Fund Overview /A

		Actual FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25
Revenue					
1	**Beginning Reserve**	**$3,181.5**	**$3,201.9**	**$2,460.5**	**$2,201.7**
2	**Gross General Fund Revenue**	**$17,697.9**	**$16,972.6**	**$16,695.8**	**$18,025.2**
3	*Transfers to the General Fund*	$71.3	$24.7	$26.8	$26.3
4	**TOTAL GENERAL FUND AVAILABLE**	**$20,950.8**	**$20,199.2**	**$19,183.0**	**$20,253.2**
Expenditures					
5	**Appropriation Subject to Limit**	$12,031.2	$13,282.8	$14,611.1	$15,857.6
6	*Dollar Change (from prior year)*	$1,052.1	$1,251.6	$1,328.3	$1,246.5
7	*Percent Change (from prior year)*	9.6%	10.4%	10.0%	8.5%
8	**Spending Outside Limit**	**$5,797.5**	**$4,607.2**	**$2,370.2**	**$2,016.9**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$3,848.1	$2,657.7	$720.9	$1,210.12
10	*Homestead Exemption (Net of TABOR Refund)*	$0.0	$0.0	$0.0	$0.0
11	*Other Rebates and Expenditures*	$149.6	$147.1	$151.4	$150.4
12	*Transfers for Capital Construction*	$354.0	$493.2	$302.7	$50.0
13	*Transfers for Transportation*	$512.9	$88.0	$0.0	$0.0
14	*Transfers to State Education Fund*	$123.0	$290.0	$0.0	$0.0
15	*Transfers to Other Funds*	$809.9	$931.2	$1,195.3	$606.4
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$17,828.7**	**$17,890.1**	**$16,981.4**	**$17,874.5**
17	*Percent Change (from prior year)*	33.8%	0.3%	-5.1%	5.3%
18	Reversions and Accounting Adjustments	-$79.8	-$151.4	$0.0	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$3,201.9**	**$2,460.5**	**$2,201.7**	**$2,378.6**
20	*Year-End General Fund as a % of Appropriations*	26.6%	18.5%	15.1%	15.0%
21	*General Fund Statutory Reserve*	$1,612.2	$1,992.4	$2,174.4	$2,378.6
22	*Statutory Reserve %*	13.4%	15.0%	15.0%	15.0%
23	***Above/Below Statutory Reserve***	$1,589.7	$468.1	$27.3	$0.0

/A. FY 2021-22 and FY 2022-23 expenditures reflect all legislation that has passed through both the Colorado House and Senate as of June 21, 2022. FY 2023-24 appropriations will be adopted in future budget legislation. Therefore, FY 2023-24 expenditures and fund balance projections shown are illustrative only. Dollars in millions.

Table 5: General Fund and State Education Fund Overview /A

		Actual FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25
	Revenue				
1	**Beginning Reserves**	**$3,735.2**	**$4,157.8**	**$3,770.0**	**$3,447.2**
2	*State Education Fund*	$553.7	$955.9	$1,309.5	$1,244.2
3	*General Fund*	$3,181.5	$3,201.9	$2,460.5	$2,203.0
4	**Gross State Education Fund Revenue**	**$1,268.4**	**$1,093.4**	**$945.4**	**$1,035.3**
5	Transfer to State Education Fund	$0.0	$290.0	$0.0	$0.0
6	**Gross General Fund Revenue /B**	**$17,769.3**	**$16,997.3**	**$16,722.5**	**$18,051.5**
7	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$22,772.9**	**$22,248.5**	**$21,437.9**	**$22,534.0**
	Expenditures				
8	General Fund Expenditures /C	$17,828.7	$17,890.1	$16,980.0	$16,664.4
9	State Education Fund Expenditures	$888.0	$1,029.8	$1,010.7	$1,331.1
10	**TOTAL OBLIGATIONS**	**$18,716.7**	**$18,919.9**	**$17,990.7**	**$17,995.5**
11	*Percent Change (from prior year)*	33.9%	1.1%	-4.9%	0.0%
12	*Reversions and Accounting Adjustments*	-$101.6	-$151.4	$0.0	$0.0
	General Fund Reversions and Accounting Adjustments	-$79.8	-$151.4	$0.0	$0.0
	State Education Fund Reversions and Accounting Adjustments	-$21.9	$0.0	$0.0	$0.0
	Reserves				
13	**Year-End Balance**	**$4,157.8**	**$3,770.0**	**$3,447.2**	**$4,538.5**
14	State Education Fund	$955.9	$1,309.5	$1,244.2	$948.4
15	General Fund	$3,201.9	$2,460.5	$2,203.0	$3,590.1
16	*General Fund Above/Below Statutory Reserve*	$3,179.4	$936.2	$57.2	$2,422.9

/A See the section discussing the General Fund and State Education Fund budget starting on page X for information on the figures in this table.
/B This amount includes transfers to the General Fund shown in line 3 in Table 4.
/C General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income shown in line 5 in Table 4 as well as all spending outside the limit shown in line 8 in Table 4.

Table 6: Cash Fund Revenue Subject to TABOR /A

	Category	Final FY 2020-21	Final FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25
1	**Transportation-Related /A**	**$1,155.8**	**$1,239.5**	**$1,276.0**	**$1,351.5**	**$1,425.3**
2	Change	-3.5%	7.2%	2.9%	5.9%	5.5%
3	**Limited Gaming Fund /B**	**$101.8**	**$115.4**	**$118.8**	**$120.2**	**$122.2**
4	Change	47.2%	13.3%	3.0%	1.1%	1.7%
7	**Regulatory Agencies**	**$89.1**	**$92.3**	**$84.3**	**$85.9**	**$100.1**
8	Change	9.9%	3.6%	-8.6%	1.9%	16.5%
9	**Insurance-Related**	**$21.0**	**$24.3**	**$23.9**	**$22.0**	**$22.3**
10	Change	-15.7%	15.4%	-1.5%	-7.9%	1.4%
11	**Severance Tax**	**$14.7**	**$325.0**	**$297.4**	**$170.0**	**$194.9**
12	Change	-88.8%	2113.0%	-8.5%	-42.9%	14.7%
13	**Other Miscellaneous Cash Funds**	**$857.5**	**$869.4**	**$890.1**	**$931.5**	**$974.4**
14	Change	17.2%	1.4%	2.4%	4.7%	4.6%
15	**TOTAL CASH FUND REVENUE**	**$2,240.0**	**$2,665.9**	**$2,690.5**	**$2,681.1**	**$2,839.3**
16	Change	-0.1%	19.0%	0.9%	-0.4%	5.9%

/A Includes revenue from *Senate Bill 09-108* (FASTER) which began in FY 2009-10. Roughly 40 percent of FASTER-related revenue is directed to State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table. Dollars in millions. Additionally, includes the impact of *SB21-260* which dedicates funding and creates new state enterprises to enable the planning, funding, development, construction, maintenance, and supervision of a sustainable transportation system.

/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in *House Bill 09-1272*

Table 7: TABOR and the Referendum C Revenue Limit/A

		Actual FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25
	TABOR Revenues				
1	General Fund /A	$17,075.4	$16,488.9	$16,130.0	$17,401.8
2	Cash Funds /A	$2,665.9	$2,690.5	$2,681.1	$2,839.3
3	**Total TABOR Revenues**	**$19,741.3**	**$19,179.4**	**$18,811.1**	**$20,241.1**
	Revenue Limit Calculation				
4	Previous calendar year population growth	0.3%	0.7%	0.5%	0.9%
5	Previous calendar year inflation	2.0%	3.5%	8.0%	4.3%
6	**Allowable TABOR Growth Rate**	**2.2%**	**4.3%**	**8.5%**	**5.2%**
7	TABOR Limit /B	$12,929.8	$13,457.4	$14,601.3	$15,360.5
8	General Fund Exempt Revenue Under Ref. C /C	$3,083.1	$3,215.7	$3,489.0	$3,670.4
9	**Revenue Cap Under Ref. C /B /D**	**$16,012.9**	**$16,673.1**	**$18,090.3**	**$19,031.0**
10	***Amount Above/Below Cap***	**$3,728.4**	**$2,506.3**	**$720.9**	**$1,210.1**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$3,848.1**	**$2,657.7**	**$720.9**	**$1,210.1**
12	TABOR State Emergency Reserve Requirement	$480.4	$500.2	$542.7	$570.9

/A Amounts differ from the General Fund and Cash Fund revenues reported in Table 3 and Table 6 due to accounting adjustments and because some General Fund revenue is exempt from TABOR.
/B The TABOR limit and Referendum C Cap is adjusted to account for changes in the enterprise status of various State entities.
/C Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with voter-approval of Referendum C.
/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenues" or the "Revenue Cap Under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period.
/E These adjustments are the result of: (a) changes that were made to State accounting records for years in which TABOR refunds occurred that resulted in changes in required refunds to taxpayers, and (b) the refund to taxpayers in previous years was different than the actual amount required. Such adjustments are held by the State until a future year in which a TABOR refund occurs when the total refund amount distributed to taxpayers is adjusted.

Table 8a: List of Transfers to/from General Fund

Bill Number and Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Pre 2022 Legislative Session Transfers				
12-47.1-701 (d) Ltd. Gaming Revenue Transfer to the General Fund	$14.0	$19.9	$20.5	$21.6
HB05-1262 A35 Tobacco Tax 24-22-117 (1)(c)(I)	$0.7	$0.6	$0.6	$0.6
HB08-1216 Consumer Outreach and Education Program	$0.02	$0.0	$0.0	$0.0
SB11-047 Bioscience Income Tax Transfer to OEDIT*	-$14.6	-$17.6	-$7.0	-$7.0
HB13-1318/SB 17-267 Transfers of Special Sales Tax to MTCF	-$165.7	-$146.6	-$166.3	-$169.6
SB17-261 Repeal of 2013 Flood Recovery Account	$8.3	$0.0	$0.0	$0.0
SB17-267 Sustainability of Rural CO (Transfer MJ Special Sales Tax to Public School Fund)	-$29.0	-$25.7	-$29.1	-$29.7
HB18-1323 Pay For Success Fund at OSPB	-$0.4			
HB20-1116 Procurement Technical Assistance Program Extension	-$0.2	-$0.2	-$0.2	-$0.2
HB20-1427 (Prop EE) - 2020 Tax Holding Fund	-$208.0	-$208.1	-$210.1	-$254.6
HB20-1427 (Prop EE) - 2020 Tax Holding Fund	$4.1	$4.1	$4.1	$4.1
Proposition EE - Preschool Programs Cash Fund	-$0.4	-$0.6	$0.0	$0.0
HB21-1149 Energy Sector Career Pathway in Higher Education	-$5.0			
HB21-1285 Funding To Support Creative Arts Industries	-$18.0			
SB21-209 Transfer to GF from Repealed Cash Funds		$0.1		
SB21-213 Use Of Increased Medicaid Match	$11.9			
SB21-225 Repay Cash Funds for 2020 Transfers	-$10.0			
SB21-251 General Fund Loan Family Medical Leave Program			$1.53	
SB 21-252 Community Revitalization Grant Program	-$65.0	$0.0	$0.0	$0.0
SB21-281 Severance Tax Trust Fund Allocation		-$9.5		
SB21-283 Cash Fund Solvency	-$4.3			
HB22-1001 Reduce Fees For Bus Filings		-$8.4		
HB22-1004 Driver License Fee Reduction		-$3.9		
HB22-1011 Wildfire Mitigation Incentives For Local Gov		-$10.0		
HB22-1012 Wildfire Mitigation and Recovery		-$7.2		
HB22-1115 Prescription Drug Monitoring Program		-$2.0		
HB22-1132 Regulation & Services For Wildfire Mitigation		-$0.1		
HB22-1151 Turf Replacement Program		-$2.0		
HB22-1194 Local Firefighter Safety Resources	-$5.0			
HB22-1197 Effective Date Of Dept. Of Early Childhood	-$3.001			
HB22-1295 Dept. Early Childhood & Universal Preschool Prog			-$139.1	-$145.1
HB22-1298 Fee Relief Nurses Nurse Aides &Technicians		-$11.7		
HB22-1299 License Regis Fee Relief For Mental Health Profls		-$3.7		
HB22-1350 Regional Talent Development Initiative Grant Prog	$32.4			
HB22-1362 Building Greenhouse Gas Emissions	-$25.0			

HB22-1381 CO Energy Office Geothermal Energy Grant Program		-$12.0		
HB22-1382 Support Dark Sky Designation & Promotion In CO		-$0.1		
HB22-1394 Fund Just Transition Community & Worker Supports		-$15.0		
HB22-1408 Modify Performance-based Incentive For Film Production		-$2.0		
HB22-1411 Money From Coronavirus State Fiscal Recovery Fund	-$28.0			
SB22-036 State Payment Old Hire Death And Disability Benefits		-$6.7		
SB22-130 State Entity Authority For Public-private Partnerships		-$15.0		
SB22-134 State Fair Master Plan Funding	-$4.0			
SB22-151 Safe Crossings For Colorado Wildlife & Motorists		-$5.0		
SB22-163 Establish State Procurement Equity Program		-$2.0		
SB 22-168 Backcountry Search and Rescue	-$1.0			
SB22-183 Crime Victims Services	-$6.0	-$1.0		
SB22-191 Procurement Of Information Technology Resources				
SB22-193 Air Quality Improvement Investments	-$102.0	-$1.5		
SB22-195 Modifications To Conservation District Grant Fund		-$0.1	-$0.1	-$0.1
SB22-202 State Match for Mill Levy Override Revenue		-$10.0		
SB22-206 Disaster Preparedness & Recovery Resources	-$35.000			
SB22-214 General Fund Transfer To PERA Payment Cash Fund		-$198.5		
SB22-215 Infrastructure Investment & Jobs Act Cash Fund	-$80.3			
SB22-238 2023 and 2024 Property Tax		-$200.0		
SB23-137 Transfer to Colorado Economic Development Fund		-$5.0		
FY 24 Transfers Requested through January 17 Budget Request				
Business Fee Relief (SOS)			-$9.0	
Transfers Requested as DIs (DNR/IIJA)			-$100.0	
Transfer to State Emergency Reserve			-$50.0	
Budget Amendments			-$484.3	
Transfers into General Fund	**$71.3**	**$24.7**	**$26.8**	**$26.3**
Transfers out of General Fund	**-$809.9**	**-$931.2**	**-$1,195.3**	**-$606.4**
Net Transfers	**-$738.6**	**-$906.5**	**-$1,168.5**	**-$580.0**

*The Bioscience income tax transfer to OEDIT's Advanced Industries Cash Fund per SB11-047 is set to expire in FY 2022-23; however, the Governor's November 1 Budget request extends this transfer. Thus, the OSPB forecast assumes this transfer continues through the forecast period.

Table 8b: General Fund Transfers for Infrastructure and Capital Construction

Transfers from GF for State infrastructure	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Placeholder for Level 1 Controlled Maintenance				$30.0
HB15-1344 Fund National Western Center and Capital Projects	$20.0	$20.0	$20.0	$20.0
HB20-1378 Capital-Related Transfers				
SB21-064 Retaliation Against an Elected Official	$0.1			
SB21-112 Gen Fund Transfer to Cap Construction Fund State Parks				
SB21-224 Capital-related Transfers Of Money	$328.8			
HB22-1195 Transfers From General Fund To Cap Constr Fund	$5.1			
HB22-1340 Capital-related Transfers Of Money		$462.2		
SB22-239 Buildings In The Capitol Complex				
SB 23-141 Transfers for Capital Construction		$11.0		
Governor's November 1 Budget Request			$282.7	
Total Capital Construction	**$354.0**	**$493.2**	**$302.7**	**$50.0**
SB21-260 Sustainability of the Transportation System	$282.5	$2.5		
SB21-265 Transfer from GF to SHF	$124.0			
HB22-1411 Money From Coronavirus State Fiscal Recovery Fund	$36.5			
HB22-1351 Temporarily Reduce Road User Charges		$78.5		
SB22-176 Early Stage Front Range Passenger Rail Funding	$1.9	$7.0		
SB22-180 Programs To Reduce Ozone Through Increased Transit	$68.0			
TOTAL TRANSPORTATION	**$512.9**	**$88.0**	**$0.0**	**$0.0**

Table 8c: General Fund Transfers for State Education Fund

Bill Number and Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
HB 20-1420	$23.0			
SB 21-208	$100.0			
HB 22-1390 (Reduced by $10M as result of SB 22-202)		$290.0		
Total	**$123.0**	**$290.0**	**$0.0**	**$0.0**

Table 9: Rebates and Expenditures

March 2023 Estimate by Fiscal Year								
Category	**FY 2021-22**	**% Chg**	**FY 2022-23**	**% Chg**	**FY 2023-24**	**% Chg**	**FY 2024-25**	**% Chg**
Rebates & Expenditures:								
Cigarette Rebate to Local Governments	$8.22	-11.2%	$6.80	-17.3%	$6.51	-4.2%	$6.15	-5.6%
Marijuana Rebate to Local Governments	$25.62	-11.7%	$22.68	-11.5%	$25.72	13.4%	$26.23	2.0%
Old-Age Pension Fund/Older Coloradans Fund	$86.92	0.0%	$80.05	-7.9%	$81.61	2.0%	$81.74	0.1%
Aged Property Tax & Heating Credit	$5.85	-8.0%	$9.20	57.1%	$8.72	-5.2%	$7.65	-12.3%
Homestead Exemption	$162.09	2.7%	$161.34	-0.5%	$161.50	0.1%	$172.38	6.7%
TABOR Refund Portion of Homestead Exemption	*-$162.09*		*-$161.34*		*-$161.50*		*-$172.38*	
Debt Payment on Bonds for School Loans	$1.00	-20.9%	$5.50	449.3%	$5.22	-5.0%	$4.70	-10.0%
Fire/Police Pensions	$4.51	4.4%	$4.70	4.2%	$4.80	2.1%	$4.80	0.0%
Amendment 35 General Fund Expenditure	$0.73	-6.9%	$0.63	-13.5%	$0.61	-3.0%	$0.59	-4.0%
Property Tax Exemption Reimbursement to Local Governments	$16.74	N/A	$17.58	5.1%	$18.20	3.5%	$18.57	2.0%
Total Rebates & Expenditures (Excluding TABOR Refund)	**$149.6**	**-49.4%**	**$147.1**	**-1.6%**	**$151.4**	**2.9%**	**$150.4**	**-0.6%**